

NEWS: EUROPE

Inflation index poses problem for Emu

By Gillian Tett, Economics Correspondent
Efforts to harmonise inflation data for European monetary union are being threatened by a disagreement over what data to include in the index.

Coffee and politics in Banja Luka

Edward Mortimer and Laura Silber on a Bosnian city's preparations for polls

Last September, when Croatia's victorious army was sweeping through north-western Bosnia, an exultant President Franjo Tudjman declared he would soon drink coffee in the Hotel Bosna in Banja Luka.



CAMPAGNING IN VLASKENICA: As elections near in Bosnia, ultra-nationalist candidate Vojislav Seselj, Serbian Radical party head, meets supporters in eastern Bosnia

In fact he bowed to international pressure and halted his advance just short of Bosnia's second city, which remains the largest in Serb hands and seems almost certain to become the capital of the Bosnian Serb entity, Republika Srpska.

It is true that opposition posters, including those of Mr Radic, are more conspicuous than those of the SDS in Banja Luka. Indeed, posters of Mrs Plavsic herself are nowhere to be seen.

For her, that clearly means Bosnia will remain partitioned and - contrary to the Dayton agreement - none of its more than 2m displaced people will return to their homes.

Ruhe puts figure on troop numbers

The German government has started to prepare public opinion to expect a continued presence of allied forces, including Germans, in former Yugoslavia after the mandate for the Nato-led force expires at the end of this year, Peter Norman writes from Bonn.

Britons held in Norway on suspicion of fraud

Two Britons were remanded in custody for two weeks yesterday by a court in Stavanger in Norway after being arrested over the weekend on suspicion of involvement in an alleged fraud against Norwegian oil company, writes Hugh Carnegy in Stockholm.

Money changers mark down Ukraine currency

By Matthew Kaminski in Kiev
The karbovanets, the Ukrainian currency, was yesterday marked down in street trading and exchange booths in the capital Kiev.

The fluctuation in the street rate reflects popular unease that the government might use the currency reform to confiscate karbovanets kept under beds - and out of tax collector's hands.

Ukraine's socialist party yesterday called on the government to impose a "different exchange coefficient" for amounts which "exceed commonly understood bounds of legally earned money".

Italian government set to rule on TV ownership

By David Lane in Rome
The Italian government is expected to announce measures today to deal with a ruling by the constitutional court that current Italian law allows too much concentration of ownership in television.

The three channels have a combined share of more than 40 per cent of the Italian audience. The court gave parliament until today to rectify the situation.

Mr Romano Prodi's centre-left government. Mr Berlusconi's political role has ensured that television ownership has been a political issue.

Boost for Polish mobile phone groups

By Christopher Bobinski in Warsaw
Two private mobile phone groups in Poland have received a boost in their long-running negotiations with the state-owned telecoms monopoly over fees for using its landlines.

Their hand in the negotiations has been strengthened because the country's civil rights ombudsman has taken the telecommunications ministry to court in an anti-monopoly case.

The ombudsman has the backing of the Anti-Monopoly Commission headed by Mr Andrzej Sopocko, which is concerned at the strength of TPSA's position in domestic telecom services.

The other group, PTC, is owned by US West and Deutsche Telekom of Germany as well as Elektrim, the listed Polish conglomerate.

The two GSM operators are planning to spend a total of \$2bn on their mobile networks by the end of the century and a third service is due to start this autumn.

Barricades ready over night flights

With its garden gnomes and its quaint lattice houses, the eastern French town of Holtzheim does not seem the sort of place whose 2,000 citizens would take readily to the barricades.

nocturnal flight paths fear they might never get a decent night's sleep. In order to sleep tomorrow, let's wake up today," says the slogan on some of the objectors' posters.

if that helps avoid heavily populated districts. Its present plans call for four flights a night in the final quarter of this year, rising to "probably 13" in 1998-99. It says 350 jobs would be created in the first three to four years of operation.

European interest" could be "seriously compromised" by DHL's plans because of the risk of an unacceptable level of nocturnal noise.

The company is still optimistic it will be able to proceed in October as planned. "We believe the studies will show the impact of our night-flying can be controlled to fit in with the concerns of the local population," says Mr Steven Lewis, Strasbourg project manager.

David Owen on a French town's anger at plans for a DHL distribution centre

it has 215 flights a night in Europe alone - has taught it how to address such concerns.

Even this relatively prosperous region, known for its beer and choucroute, can ill afford to turn jobs away at a time when the French national unemployment rate is at 12.5 per cent and the government is seemingly powerless to stop it rising.

Ms Martine Arnold, Strasbourg's development plans have focused in recent years on Europe - the European parliament and the Council of Europe are based there - and the research strength of the city's university, notably in life sciences, which has helped attract multinational pharmaceutical companies.

Some have doubts about how well DHL's arrival would square with the city's relatively new-found research metier.

Dr Nicolas Harrenschmidt, director of the university's centre of primatology, has warned that an expansion project of "national and

EUROPEAN NEWS DIGEST

Bonn setback for cuts plan

German government plans to cut spending and ease the burden of the welfare state suffered a setback yesterday, when the conciliation committee of the two houses of the Bonn parliament rejected key parts of the package.

Kurdish leaders face trial

Leaders of Hadeep, Turkey's only legal Kurdish political party, are to go on trial accused of "establishing an illegal armed organisation". Mr Murat Bozlak and 40 other Hadeep members will be tried in a state security court where rules of evidence are looser and sentences harsher than in conventional courts. No date has been set.

Blow to Estonian president

Mr Lennart Meri, Estonia's incumbent president, fared poorly in yesterday's first round of presidential elections in parliament, increasing the chances that a "dark horse" candidate may emerge when the chamber reconvenes before the secret ballot, got only 45 votes, well short of the 68 needed for re-election. His challenger, Mr Arnold Ruutel, won 34 votes. The remaining 22 MPs abstained.

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سكيا من الامم

Icons of the party's left wing are to be given podium time at Chicago convention

Democrats eager to reflect diversity

By Patti Waldmeir in Chicago

The Democratic party will today adopt a platform which eschews many old Democratic policies, even though many delegates and podium speakers at its convention in Chicago are drawn from the liberal wing of the party.

A New York Times poll published yesterday shows that 43 per cent of delegates describe themselves as "very" or "somewhat" liberal, though only 16 per cent of voters nationwide describe themselves in those terms.

The Republican party, which held its convention earlier this month in San Diego, was criticised for showcasing "diverse" candidates at the podium but not on the floor, where only 3 per cent of delegates were black.

And where Republicans carefully screened their podium speakers to avoid



President Clinton addresses a crowd in Chillicothe, Ohio, on his way by rail to the Democratic convention in Chicago

extremists who might broaden divisions within the party, the Democrats are planning to give podium time to some icons of the left, including Rev Jesse Jackson and Senator Edward Kennedy of Massachusetts.

Both of them ran unsuccessful presidential campaigns in the 1980s based on a defence of the party's liberal traditions.

Mr Jackson, long known as a rebel within the party, disagrees vehemently with President Bill Clinton about the welfare reform bill he signed last week - as do many delegates in the hall.

But he has let it be known that he does not plan to fan discontent from the podium, when he speaks later today.

Conference to tackle child sex exploitation

By Greg McIvor in Stockholm

The first international congress to examine the issue of commercial sexual exploitation of children opens in Stockholm today against a background of continuing anguish and recrimination over a paedophile scandal exposed in Belgium last week.

Mr Erik Veroyck, Belgium's foreign minister, is due to address the five-day conference, the importance of which has been underscored by the Belgian case, in which children were abducted and sexually abused and two were left

to starve to death. The case has precipitated a wave of public criticism against the Belgian police and social authorities, illustrating the mounting pressure on policy-makers to curb a problem which child protection agencies say is growing swiftly worldwide.

Swedish organisers yesterday said there had been a surge in applications to attend the congress in the wake of the affair.

About 60 governments are expected to be represented and will be joined by some 90 non-governmental organisations.

Mr Göran Persson, Swedish prime minister, will open the event, which will focus on developing methods to combat child prostitution, child pornography, and the sale and trafficking of children for sexual purposes.

One of the conference's tasks will be to establish consensus on steps to tackle "sex tourism" in developing countries whereby paedophiles, mostly from industrialised nations, sexually abuse children while abroad.

Sex tourists prey on Colombia's teenagers

The city of Cartagena, on Colombia's Caribbean coast, was repeatedly attacked over the centuries by the French and British. But now the city is being stormed by a different sort of foreigner.

Long a leading resort for holidaying Colombians and Europeans, Cartagena has turned into an important destination for sex tourists, attracted by sun, sea, cheap drugs and juvenile prostitutes.

At night the Bocagrande hotel strip is an open-air sex market place, with girls as young as 12 on offer and groups of Italian, Spanish, German, French and Canadian men busily from hotels to "discoteques" where they choose adolescent girls with whom they spend the night.

Even the old walled city that resisted so many pirate attacks has fallen to red-light bars, noisy clubs and strip shows where teenage prostitutes wait for clients. Legitimate tourism, already suffering from Colombia's reputation for crime and violence, has been steadily replaced by sleaze travel.

Pressure groups such as End Child Prostitution in Asian Tourism (ECPAT) have publicised the conditions of hundreds of thousands of boys and girls in brothels in Thailand, the Philippines, Sri Lanka and

Taiwan, and have pushed through laws in most European nations for the prosecution of sex travel organisers. Harder to tackle is the sexual use of children by local customers. This week the Bogota-based non-governmental organisation Renacer is to complete an investigation commissioned by the Colombian government's Family Welfare Institute on juvenile prostitution in Cartagena.

Preliminary findings show the majority of the girls have come to the city from other parts of the country in the hope of making their fortunes from foreigners, but that there are also core groups of local children in the sex trade and regular local clients.

Hollywood of Arab world lives in shadow of its past

In the heat of August only Gamal Abdel Nasser - the Egyptian leader who nationalised the Suez Canal - has the lure to induce nearly 2m Egyptians to sit quietly in front of a screen for 2 hours and 20 minutes.

The film "Nasser 56" is on target to break all box office records in the 70-year history of the Egyptian film industry. It tells the story of Nasser's decision to defy the western world by seizing control of the Suez Canal, allowing the audience to relive what many Egyptians see as the country's greatest moment in the 20th century.

The film's success is a welcome relief to a film community that is fighting for its life. A once-thriving industry which produced more than 80 films a year and brought the actor Omar Sharif to international attention has faded to a pale shadow of its former self.

Mr Kamal Ganzouri, Egypt's prime minister, has acknowledged that the film industry is in crisis and, in collaboration with the film producers, a rescue plan is being put into place.

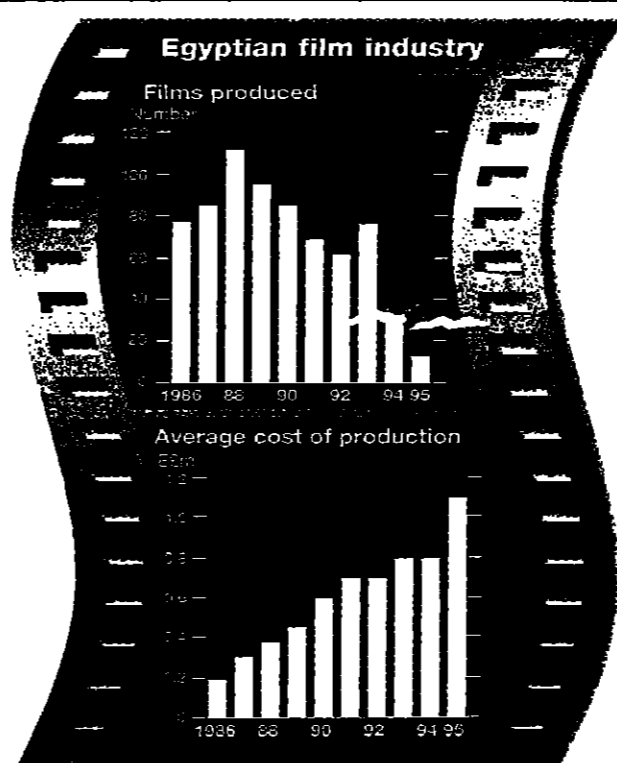
Sean Evers on a rescue plan for Egypt's film industry which is now fighting for its survival

dishes throughout the Arab world in the aftermath of the Gulf war have seen royalties practically dry up to \$2m a year. Only 13 films were made last year, the smallest number in the industry's history. The 35 local films screened in Egypt in 1994 made only \$15m. At an average cost of \$2m to produce, the incentive to invest has waned substantially.

Mr Mohammed Fadel, director of "Nasser 56", believes that the Egyptian cinema industry began to deteriorate in 1974, when President Anwar Sadat abandoned socialism and introduced a new "open door policy". "It was not a well thought out policy," he said. "It displaced the educated middle class and supported

22 per cent "cabaret" tax on tickets, and a 33 per cent tax on box office revenue. Cinemas must pay extremely high electricity rates, which can amount to \$210,000 a month.

With fewer cinemas and rising production costs, film makers have been forced to raise production finance by selling off foreign distribution rights.



The Egyptian Chamber of Cinema in partnership with two leading Egyptian banks, will launch a limited company later this year. This initiative will complement the expected government reforms.

The producers of "Nasser 56" have used their film to test the size of the potential film-going audience in Egypt. The film was placed in more than 20 cinemas throughout the country, with ticket prices ranging from \$1.5 to \$18. They have repeatedly announced that it will not go to video for at least 18 months. The result: it has played to capacity houses since it opened and is grossing about \$21m a week.

Most people in west aware of the Internet

By Paul Taylor in New Orleans

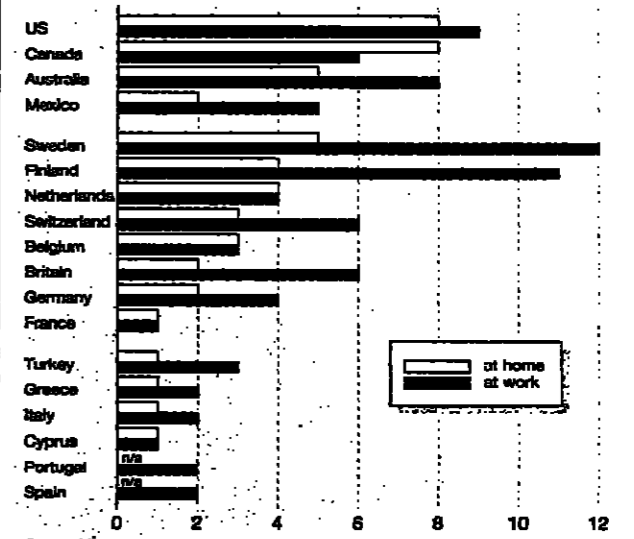
Most westerners have heard of the Internet or the World Wide Web, even though many do not have the capability to use it, according to a survey of 18 countries conducted by the Belgium-based International Research Institutes (Iris).

The survey, which was based on interviews with 15,835 adult consumers in 18 countries in Europe, North America, Mexico and Australia, shows that only a very small proportion of consumers in each country are able to access the Internet from their homes and only a small percentage of adults, mainly upper-income males aged under 55, have had hands-on experience with the Internet.

Within Europe, 91 per cent of consumers in Sweden have heard of the Internet or the World Wide Web, the graphics-based part of the Internet which is based on "pages" of information connected by "hot-links".

Bottom of the league table come Spain and Cyprus, where consumer familiarity is 44 per cent and 39 per cent respectively.

Access to the Internet



Israel to cut interest rate

Israel's central bank yesterday said it would cut by 0.5 of a percentage point, to 15.8 per cent, the interest rate it charges commercial banks from September.

The move followed a rate cut of 0.7 of a percentage point earlier this month, to 16.3 per cent, after the interest rate peaked at 17 per cent in July.

The central bank said the pace of inflation was now lower than in the first half of the year. The rise of only 0.3 per cent in the consumer price index for July is in sharp contrast to the first half, when annualised inflation headed towards 14.5 per cent.

But the Bank of Israel said inflationary expectations for the next 12 months - at 11 per cent - remained higher than the government target, and the government budget deficit target of \$h7.6bn (\$2.4bn) for 1996 might be exceeded by more than \$h5bn.

Meanwhile, the central bank repurchased \$h250m in government bonds as part of a plan to boost bond prices which have fallen sharply because of massive public redemptions from long-term savings funds known as provident funds.

The move was the second of three planned interventions in the bond market for August, in which the bank will buy back a total of \$h750m in bonds.

Yemen defiant over island

Yemen yesterday said it was pulling out of French-led mediation efforts to resolve its dispute with Eritrea over a Red Sea island, and vowed to force a withdrawal of Eritrean troops there.

"There is a limit to our patience," Mr Ghaleb Ali Jamil, vice-foreign minister, said. "We have the right under Article 51 of the United Nations charter to use all means to defend ourselves and to defend our land."

Earlier this month Yemen threatened to take military action against Eritrea if mediation failed to defuse a crisis triggered by the dispatch of Eritrean troops to the disputed Lesser Hanish island, near tanker routes at the Red Sea's southern entrance. Yemen said it sought a peaceful solution to the dispute. The two countries fought briefly last December and then agreed in May to French arbitration.

Mr Jamil praised France's attempt to push negotiations but said they could be resumed only after Eritrea withdrew its troops.

Opposition to Savimbi post

Angola's Unita rebel group will join a coalition government but will not nominate its leader, Mr Jonas Savimbi, for the vice-president's post, Mr Marcial Daehala, the group's information secretary, was quoted as saying yesterday.

Mr Savimbi, who has said he does not want the job if it were mainly ceremonial, is expected to announce his final decision today. Several speakers at a Unita congress which finished yesterday spoke out against their leader's acceptance of the job, saying it would mean Mr Savimbi's political demise.

NEWS: ASIA-PACIFIC

Jail terms may harm Korean economy

John Burton reports on the impact on investor confidence as some chaebol lose their heads

The death sentence handed out yesterday to former South Korean president Chun Doo-hwan and prison terms for his successor Roh Tae-woo and several business leaders may have helped cleanse one of South Korea's darkest chapters. But the price could be increased uncertainty for an economy that is already faltering.



Lee Kun-hee, chairman of Samsung (left), and Mr Kim Woo-choong of Daewoo enter court in Seoul yesterday before sentencing.

The biggest worry expressed by equity analysts is that the unexpectedly tough prison terms for bribery meted out to Mr Kim Woo-choong, founder and chairman of Daewoo, and three other conglomerate chiefs could undermine investor confidence.

The courts have grounds to believe the business leaders are so awfully for the economy that the market is hoping that they will receive suspended jail terms on appeal," said Mr Holland.

Hyundai, after he was convicted of illegal spending for his unsuccessful presidential campaign in 1992. There is already talk that the Daewoo founder will go into exile in eastern Europe to oversee the group's car production expansion in the region. However, the removal of Mr Kim from the helm could hurt the group's ambitious \$10bn overseas expansion programme since Daewoo is widely considered to be one-man operation centred on Mr Kim.

Mr Kim has personally negotiated most of the group's overseas projects. His conviction and loss of status could make it harder for Daewoo to attract the foreign funds needed to finance global expansion. Institutional investors overseas have already expressed concerns about Daewoo's high gearing ratio of 300 per cent, with some suggesting that a capital shortage affecting Korea's fourth largest group could result in a financial crisis for the country.

Won-suk of Dong-ah were convicted last year of offering a bribe for the construction of a nuclear power project in the early 1990s. Some critics contend that the government of President Kim Young-sam has been selective in pursuing corruption cases by targeting businessmen who have opposed the present administration. Daewoo's Mr Kim has run foul of the government ever since he considered standing as an opposition candidate against President Kim in the 1992 election.

Indeed, the government's punishment of the Mr Kim and Mr Roh, the former military-backed president, and the businessmen has come from a blend of altruism and Machiavellian motives. It has enjoyed wide support among the public, which respects the former military dictatorship and the economic power of the chaebol that it helped breed.

Ramos wants port deal reviewed

By Edward Luce in Manila

President Fidel Ramos yesterday called for a review of last week's decision to award the privatisation of Subic Bay port to Hong Kong-based Hutchison Whampoa in a move which is likely to result in formal re-bidding.

fastest growing special economic zone, disqualified ICTSI from the 25-year contract on the grounds that it already owned the country's largest port in Manila. Port officials cited a government competition circular which stated that one operator could not own more than 20 per cent of a rival port.

bitter end no matter how long it takes," said Mr Enriquez Bason, ICTSI chairman. "The decision to disqualify ICTSI was taken on a spurious basis without any regard to legality."

HK group to promote rights

By John Fiddling in Hong Kong

A group of Hong Kong law makers yesterday launched a political grouping aimed at defending democracy and human rights as the territory prepares for the handover to China on July 1 next year.

backing in Hong Kong, even from supporters of the party, prompting strains among pro-democracy forces.

Members of The Frontier and of the Democratic party dismissed claims that the new organisation would exacerbate divisions among pro-democracy forces. Mr Martin Lee, Democratic party leader, said he welcomed more voices in support of the same issues, while another official said the five legislators in the Frontier frequently co-operated with the Democrats.

Mindanao Christians and Moslems give peace a chance

By Edward Luce recently in Davao City

Mayor Duterte squeezed the trigger and watched the bullet hit its target before turning to acknowledge the applause from the circle of admiring security guards. Armed to the hilt with Colt .45 and super-38s, the Christian mayor and his entourage could have been firing at separatist Moslems instead of cardboard silhouettes.

zone will be based - said local Christians had nothing to fear from the pact with the Moslems. Memories of the war, which has claimed over 100,000 lives since 1972, have, however, left a more hostile imprint among many of the mayor's fellow Christians.

mother was burned alive in her house by troops loyal to the former dictator, President Ferdinand Marcos, in 1981, typifies the mainstream Moro sentiment. "All of us have suffered. We do not want to continue to live in an atmosphere where we are continually harassed by the army for being Moslem."

Sri Lanka raises bread prices

By Amal Jayasinghe, Colombo

Sri Lanka yesterday announced a sharp increase in bread prices, the third rise in five months, as it attempted to soften the blow for state employees with a pay rise.

Indian army rescues pilgrims Indian army helicopters helped rescue 2,000 pilgrims from the Himalayan foothills at the weekend as tens of thousands of pilgrims climbing to a holy cave ran into below-freezing temperatures and severe wind and rain.

Release of tankan survey of business confidence brought forward

By Emiko Terazono in Tokyo

When the Bank of Japan announced last month its intentions of bringing forward the release of its August tankan - the quarterly survey of business confidence - Tokyo's financial markets were divided over how to interpret its move.

leaked before the official announcement. In the past, the Bank of Japan had taken about three weeks to put together the tankan, an abbreviation of Japanese for the short-term economy survey of enterprises, which is regarded as influential in monetary policy.

There is a sense that the bank has started to become more aware of the importance of the financial markets' response," says Mr Yasushi Okuda, economist at brokers BZW.

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

Table with columns for countries (USA, Japan, Germany, France, Italy, UK) and rows for various economic indicators like M1, M2, M3, and interest rates over time.

Tokyo awaits business data

By Emiko Terazono in Tokyo

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There were initial fears that the announcement - bringing forward the release by a week to August 28 - meant the bank was in a hurry to raise interest rates, a worry which has dissipated because of increasing doubts over the strength of the economic recovery.

Japan spending requests up 8%

General account spending requests from Japanese government departments for the fiscal year beginning next April totalled ¥81,400bn (\$750bn), finance ministry officials said yesterday - 8 per cent higher than the current year's initial planned spending total.

Mitsubishi in China venture Mitsubishi Motors (MMC), a leading Japanese vehicle maker, has agreed two joint ventures to produce vehicle engines in China.

Stop missile sale, urges China

China yesterday demanded that the US halt sales of Stinger missiles to Taiwan, as an 80-strong delegation of Taiwanese industrialists prepared to visit Beijing to boost trade and economic ties.

Indian army rescues pilgrims

Indian army helicopters helped rescue 2,000 pilgrims from the Himalayan foothills at the weekend as tens of thousands of pilgrims climbing to a holy cave ran into below-freezing temperatures and severe wind and rain.

Sri Lanka raises bread prices

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صوتنا من الامل

Regulator considers action on \$12bn held in support of US underwriting

Lloyd's assets 'could be frozen'

By Richard Waters in New York and Ralph Atkins in London

New York state's insurance regulator said yesterday it was poised to take action, if necessary, to freeze Lloyd's of London's assets in the US, adding to pressure on the insurance market as it battles to complete a \$3.2bn (\$4.96bn) financial restructuring this week.

The warning came as Lloyd's today appeals against a damaging ruling by a US federal court in Virginia on Friday. Lloyd's is trying to overturn an injunction which put the market's

recovery plans on ice in the US, potentially placing the plan - and Lloyd's survival - into jeopardy.

A spokesman for New York state's insurance commissioner, Mr Edward Muhl, said yesterday that the regulators had not taken any action which would affect the \$12bn held in Lloyd's trust funds at Citibank in New York to support US underwriting.

However, the spokesman said the commission's lawyers were weighing up whether any action was necessary following last week's injunction.

A deadline of noon tomorrow has been set for loss-making and litigating Names - individuals whose assets have traditionally supported Lloyd's - to accept the \$3.2bn out-of-court settlement offer proposed by Lloyd's. Outstanding US liabilities would also be transferred into a new reinsurance company, Equitas.

New York state, which has primary responsibility for the US trust funds, must decide by September 1 whether or not to allow the money to be used to back Lloyd's recovery plan.

However Judge Robert Payne in Richmond, Virginia, told Lloyd's that it should comply with US securities laws, get more information about the plan to US Names by September 23, and allow US Names until the end of October to decide whether or not to accept the scheme.

"We haven't reached a decision yet - we're trying basically to understand what this means in terms of the Equitas project," the spokesman said. Whether New York would allow the trust funds to be transferred to Equitas "will depend on the DTI, and any decisions of courts here", the spokesman said.

Lloyd's ruling council meets on Thursday and could declare the \$3.2bn offer "unconditional" shortly thereafter. There is no set level of acceptances required. Instead Lloyd's needs to be sure if enough litigating Names have accepted and that there are sufficient funds for Equitas.

But if Lloyd's fails to win today's appeal it might have to make hurried provision to exclude US Names, perhaps borrowing to cover their liabilities. In the longer term, Judge Payne's insistence on Lloyd's complying with US securities laws could result in Lloyd's excluding US Names from underwriting.

Treasury may turn to home comforts

By Simon London, Property Correspondent

A substantial part of the Treasury headquarters in central London could be turned into luxury flats under proposals being considered by the government.

Two consortia vying for the right to refurbish the building have each suggested that converting the space gained in the rear portion into flats would provide the best value for money for the public sector.

The £200m (\$310m) project is regarded by Mr Kenneth Clarke, the chancellor of the exchequer, as a flagship of the government's private finance initiative, which aims to bring private capital into public sector projects.

The rival consortia are led by Mr Stuart Lipton and Mr Godfrey Bradman, former development partners and two of the most high-profile figures of the 1980s property boom.

Mr Lipton's consortium - which includes Bovis, the construction company, Hambros merchant bank and Sir Norman Foster, the architect - has emerged as favourite to win the contract.

The proposals come against the background of rising residential property values in central London, driven by an influx of investment from overseas - particularly from Hong Kong, Singapore and Malaysia - and subdued demand for office space.

A number of other former office blocks have recently been converted into flats, including parts of County Hall on the south bank of the Thames opposite the Houses of Parliament.

The Treasury is expected to make a decision on the proposals over the next two to three weeks.

Both consortia have proposed alternative all-office solutions in case the government decides that flats would pose an unacceptable security risk.

UK NEWS DIGEST

Biotech options to be increased

UK biotechnology companies are preparing to offer millions of pounds worth of extra share options to new recruits following a change of heart by the Association of British Insurers. The ABI, which represents many of the investors in the sector, has agreed that biotech companies can in principle breach its guidelines on how many options can be awarded to executives.

Biotech companies have complained that they need to offer more money to recruit high fliers from international pharmaceutical companies, but do not have the cash until their products are launched. The ABI said that other companies that could show a similar need might also be exempted.

First fruits of the changes are in proposals to be put to the annual meeting of British Biotech, the biggest UK company in the sector, on September 18.

The company proposes to scrap its existing executive share options scheme and replace it with one that effectively has no ceiling on the share options that can be offered to new recruits.

Mr James Noble, British Biotech's finance director, said that it was quite possible for new recruits at the top level to be offered more than £1m (\$1.55m) in share options as an inducement to join the company.

The ABI guidelines limit the value of options held by an executive to four times salary. They also cap the amount of options on offer to 5 per cent of a company's issued shares.

Daniel Green Lex, Page 12

CONSTRUCTION EQUIPMENT Sales set for '5.2% fall'

Sales of construction equipment in Britain are due to fall more quickly next year than in other west European countries, despite strong growth since the early 1990s recession, according to Off-Highway Research, a London consultancy.

The projected drop of 5.3 per cent in unit terms is linked particularly to the slow-down in road building. Sales of construction equipment in the UK are estimated at about £1.7bn (\$2.63bn) a year, including spares. Total output, including exports, by UK-based construction machinery companies is valued at about £2.5bn a year at retail prices.

According to Off-Highway Research, sales of construction equipment next year across western Europe should come to 92,986 units, barely changed on the 93,369 in 1995. The market in France is expected to decline 4.6 per cent in units in 1997, the biggest slide after Britain. Spain is forecast to see an increase in sales of 13.7 per cent, Italy a 1 per cent rise while the market in Germany is expected to be flat.

Peter Marsh

CASH MACHINES

Single national network likely

British bank customers could soon be able to use their plastic cards to withdraw money from any of the UK's 22,000 cash machines. Many of the country's biggest banks believe the present system, allowing customers to use only those cash machines belonging to banks with which their bank has a reciprocal arrangement, is breaking down. The facility already exists in countries such as France and Austria.

George Graham

Share trading flickers on to a new screen

The London Stock Exchange has high hopes for Sequence

Something different will appear on the desk screens of many share brokers and dealers this morning. Sequence, the London Stock Exchange's enhanced share trading platform, has reached the market in fully-fledged form.

However, today's change is small compared with what is yet to come. The platform is designed to be flexible and powerful enough to allow entirely new methods of trading in the future.

Sequence also represents something unique in the exchange's recent history - an information technology project delivered on time, and under budget. It contrasts sharply with the fiasco of the failed Taurus share settlement system.

This is a relief for Ms Christine Dann, the exchange's director of business operations, whose other main task in the past few months has been to prepare

for handing over share settlement to the Crest system. "Over the period of Sequence, we have reduced our costs and improved our service at the same time as introducing a number of new applications," said Ms Dann.

Today's change will mean that "trade reporting" of deals - under which member firms have to report deals within set times to the exchange - will be carried out through screens rather than over the telephone.

Sequence will introduce more radical change in the Alternative Investment Market for smaller companies, and in the Stock Exchange Alternative Trading Service for illiquid stocks, where actual methods of trading shares will be affected.

Although member firms will still be able to deal over the telephone through marketmakers in Aim and Seats shares, the implementation of Sequence will allow the



Networking: Sequence will herald a new era in information technology for equity dealers

trading of shares by fully automated means for the first time.

Members will be able to place orders on screens without having to telephone the exchange. They will also be able to execute a trade by pointing at a bid or offer on the screen with a computer mouse and clicking on it.

These changes are a taste of what is likely to come from next year when the exchange brings in broad trading reforms for large company shares. It will introduce an order-driven trading system for such shares for the first time.

The Sequence system is a broad enough platform to allow such changes fairly

simply. By introducing a fresh software application, the exchange will be able to allow automated trading in a range of domestic shares.

The exchange has worked with Andersen Consulting to introduce the technology platform and the programme has cost £81m (\$128m), compared with the budgeted cost of about £96m.

The exchange has also lessened costs by reducing staff and eliminating the inefficiency of its former trading platform - the exchange relied on about 60 software programmes from half a dozen suppliers.

It has also reduced its annual technology spending from £55m to £35m which

has largely paid for developing Sequence.

Both Reuters and ICV have developed workstations to bring Sequence to smaller firms. The ICV terminals, known as Topic 3 Trader, will be the most visible evidence of the change in the 110 firms where they have been installed. ICV has spent about £1m on development.

The upshot is that although Sequence 6 - as the final stage in the implementation is known - will not be an earth-shattering change today, the exchange regards it as a vital step towards regaining credibility in the market.

John Gapper

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TECHNOLOGY

Motorists who commit parking offences in the City of London could find themselves being issued with an unusual type of traffic ticket. Instead of using a notebook and pen to write out a form, some police officers are now using a pen-based computer to produce an electronically generated traffic ticket. Back at the station, data from the pen computer can be transferred to the police computer database.

This is just one example of how pen-based computers are being used today. The retail, distribution, transportation, insurance, financial services, manufacturing and mobile field service sectors are also using them. But at one stage, pen-based technology was in danger of being discarded.

When the first pen-based computers arrived in the late 1980s, many thought they would replace the keyboards and mice used to operate most computers. Supporters of pen computers talked of "the pen being mightier than the keyboard". But the reality proved different: "Pen computing caught everyone's imagination," says Howard Scarbrough, marketing program manager for Toshiba UK, "but there was a mismatch between what the technology could deliver and what customers expected in terms of cost and functionality."

Companies that have launched pen-based devices include Amstrad, Casio, IBM, Sharp, Symbol, Norand, Hewlett-Packard and Fujitsu. Microsoft has also developed an extension to its Windows operating system for pen-based computing.

But some, such as Toshiba, have pulled out of pen-computing in western markets because of disappointing sales. Many admit that the aim to replace the keyboard with computers which could recognise handwriting was too ambitious.

Handwriting recognition software is difficult to develop and requires a great deal of processing power. Most current systems offer an accuracy rate of only 50-60 per cent.

"The pen computer market was moving along nicely until companies started pushing handwriting recognition," says Ken Dulane, vice-president of mobile computing at the Gartner Group. "That move set the market back years." Handwriting recognition software was often slow, clumsy and frustrating to use. The result was that many pen-based computers were consigned to desk drawers and then forgotten.

But now, pen-based computer companies have repositioned

After a slow start, pen-based computers are finding a useful role in many areas, explains George Cole

Rewritten for a happier ending



Some pen-based computers are small enough to fit into a shirt pocket, while others are the size of an A4 pad

their products: "Pen computers were initially aimed at horizontal markets [for general use and many applications] and tried to be all things to all people," says Diana Hwang, senior industry analyst at market researchers IDC, "but it's in the vertical [specific application] markets where pen computers have come into their own."

Apple Computer's pen-based device, the Newton MessagePad, was launched in 1993, but sales were poor until the company began targeting users such as corporate executives, sales staff and consultants, who perform much of their work away from the office.

"Apple didn't understand the market," says Dulane. "If they'd gone for vertical markets from day one, they could have sold the Newton at twice the price and enjoyed far healthier sales."

There are many types of pen-based computers. Some are small enough to fit into a shirt pocket, while others are the size of an A4 pad. Their weight varies from about 600g to more than 1kg.

Most cost anything from \$450 (£290) to \$3,000. But all share the same basic technology, namely a flat screen that is covered with a pressure-sensitive membrane. Smart software and a powerful processor convert any screen contact into computer commands. The pen may be an electronic device or a simple plastic stylus, which is used for pointing

Sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units

to on-screen icons or menus. Some pen computers can even be operated with a finger.

IDC defines two main groups of pen-based computers:

• The first includes hand-held companions, such as PDAs (personal digital assistants) and personal companions, such as US Robot's Pilot. PDAs offer a variety of computer and communica-

tion facilities, such as fax, e-mail, Internet, personal organiser, calendar and address book. Personal companions allow users to download files and data from their desktop PC and carry them around in a small portable device. Data can also be entered out in the field and later transferred to office computer.

• The second refers to vertical application devices, which include pen tablets and pen notepads. These are purpose-built for specific sectors and are often more rugged than PDAs. Some also have improved screen technology which works over a wide range of temperatures.

A growing number of vertical application devices have facilities for sending or receiving data via a telephone modem or wireless mobile data system. Some can even communicate with portable printers using infra-red technology, allowing users to produce hard copy documents in the field.

IDC forecasts that the US market for PDAs and personal companions will rise from 208,000

units in 1996 to 1.4m units in 2000. In the same period, sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units.

"The market for pen-based computers in vertical markets is growing," says Hwang, "but to put it into perspective, sales of keypad devices in the same markets will be around 358,000 units this year, and 552,000 units in four years' time. So pen-based computers are definitely niche products."

In Japan, pen computers are popular, largely because of the vast number of Japanese characters makes keyboards difficult to use. Sharp has sold more than 900,000 units of its Zaurus PDA in Japan, since it was launched in October 1993. Sharp expects to sell around 670,000 units this fiscal year. Other companies marketing pen computers in Japan include Casio, Hitachi, NEC, Toshiba and Mitsubishi. Sales staff, police officers, manufacturers and nurses are just some of the groups using pen computers in Japan.

Reg Koster, business development manager for Norand International, says that pen computers offer a number of advantages: "They are ideal for workers who have to enter or collect data in the field, and require little in the way of training. Some pen computers can be linked to numeric keypads for fast data input. But you're not looking for heavy text input with these devices."

The City of London motorcycle police officers are using Norand's PenKey to issue parking tickets. PepsiCo and Coca-Cola have also ordered thousands of PenKey computers for route accounting. Truck drivers will use the pen computers to record details of their deliveries.

Some warehouse staff are using pen computers as electronic clipboards for stock taking. Sales staff of the Californian company FD Titus use pen computers for medical product ordering. Clients are shown the products on the computer screen and their orders are entered by computer pen and sent back to head office for instant processing.

In Minneapolis, repair technicians of the cable TV company Paragon use pen computers to order spare parts and record work details. The technicians also use the computer to show customers the company's latest promotional offers and to record any new subscriptions.

Little wonder that Tony Palmer, European operations director of marketing at Norand International, believes that "pen-based computers have become highly effective tools for speeding up business-specific processes".

Madness of too many methods

Geoff Naim on a European standard for procuring software

The European Commission's zeal for standardisation has reached the software industry with the release this month of EuroMethod, a pan-European standard for procuring computer systems, which the EC hopes will improve competitiveness in Europe's fragmented software market. EuroMethod started in 1989 as an attempt to overcome the problems caused by the incompatible system development "methods" used in different European countries. A method defines the procedural and technical standards to be used in developing an information system. It provides a framework for developing and managing large complex information systems, thus reducing the risks.

Methods are not foolproof, as the London Stock Exchange found out with Taurus, a paperless settlement system which was plagued with delays and finally abandoned in 1993 at a cost of more than £50m. Taurus was supposedly developed using the Structured Systems Analysis and Design Method, but many SSADM guidelines were not followed, according to the auditors' report on Taurus.

Used properly, methods can reduce misunderstandings between contractor and customer by explicitly defining responsibilities and setting milestones. SSADM was originally developed as a standard for public sector projects in the UK, although it is now also used in the private sector.

Similarly, Italy's state-owned computer services company Finisiel developed Dafne, which became a standard for Italian public sector contracts. France, Germany, the Netherlands and Spain also have their own methods.

Each one is often widely used in that particular country but unheard of elsewhere. This creates a formidable barrier to companies that want to bid for work outside their domestic market. It also hampers

co-operation in the EU-wide projects which the EC is promoting to increase competitiveness in information technology.

The main problem is understanding the precise meaning of concepts and terminologies used in the different methods. For example, is the "preliminary study" of one method equivalent to the "requirements analysis" of another?

Also, the vocabularies used are typically derived from software engineering and can be difficult to understand by non-specialists.

EuroMethod aims to overcome these hurdles - not by replacing the national methods but by creating a common procurement language to harmonise them. It acts as a sort of Esperanto for computer contracts whose terms and concepts can be understood correctly using any of Europe's six most popular development methods, thanks to a series of dictionaries.

"A lot of people have misunderstood EuroMethod. It is not a new software development method, but a way of managing procurement by allowing calls for tender to be expressed in a way that is totally independent of method," says Marcel Franckx, EuroMethod project director. Contractors will continue to use their preferred method for the nuts-and-bolts development work.

EuroMethod was developed by a consortium of 10 European companies and trials were carried out in 1995 in 10 sites. The feedback from these trials was used to improve the method. For example, the unwieldy 700 pages of original documentation has been cut to 200, while the method now covers the specification of "help desk" and other support services essential to today's complex IT projects.

The EC officially accepted the improved version of EuroMethod this month and the challenge now is to promote the standard more widely.

CONFERENCES & EXHIBITIONS

Table listing various conferences and exhibitions with dates, titles, and contact information. Includes events like 'Introduction to Capital Markets', 'Understanding Treasury Derivatives', 'Investing in Russia: New Horizons', and 'Would speaking your customer's language have made the difference?'.

Advertisement for 'The Premier Forum' by California Information Technology Investment & Partnering Forum. Includes details about the event on October 10-11, 1996, in London, and a list of sponsors such as AT&T, FT, and GIBSON, DUNN & CRUTCHER LLP.

Advertisement for 'Mexico' survey by The Financial Times. Includes the headline 'Mexico' and contact information for Lucy Batizovszky on 0171 873 3507.

Handwritten Arabic text: صيكتا من الاميل

COMPANIES AND FINANCE: INTERNATIONAL

صكنا من الامل

Rabobank posts strong advance

By David Brown in Amsterdam

Rabobank, the Dutch cooperative bank, reported a 21.5 per cent increase in first-half net profit to F1 853m (\$611.6m) from the F1 702m in the previous comparable period...

Both the operating result and net profit in the second half are expected to increase on the same period last year, when the bank reported a net profit of F1 726m.

growth in the second half," said Mr Herman Wijffels, executive board chairman, although he added "maybe it will be in single digits". Total income rose from F1 4.1bn to F1 4.7bn. Of this, F1 3.4bn was generated by interest income, which rose almost 11 per cent...

the need to hire more staff, the continued expansion of its global network, where 19 new offices brought to international total to 84, and finally to investments in new technology.



Herman Wijffels' reasonable growth seen in second half

Spanish stores chain slips after buy

By David White in Madrid

El Corte Inglés, the privately-owned Spanish department store chain, took a cut of just under 8 per cent in net profits in its last financial year as a result of taking over its main rival Galerías Preciados.

NEWS DIGEST

DG Bank up 30% at operating level

DG Bank Deutsche Genossenschaftsbank, the umbrella organisation of Germany's co-operative banks, said operating profit after risk provisions rose 30.1 per cent to DM268.2m (\$178.5m) in the first half...

Risk provisions fell 11.9 per cent to DM188.1m in the first half, from DM213.4m a year earlier. Net interest income rose 16.4 per cent to DM1.6bn from DM1.4bn.

Trading income fell 12 per cent to DM90.3m from DM91.3m the year earlier. Operating costs rose 9.6 per cent to DM1.36bn from DM1.23bn.

Polish banks optimistic on merger deal

By Christopher Bobinski in Warsaw

Officials from four state-owned Polish banks remain confident of overcoming disagreements to setting up a financial group which would control about one-fifth of the local banking market.

(BPK) in Lublin and Powszechny Bank Gospodarczy (PBG) in Lodz - and the PKO SA, a Warsaw-based savings bank that is to lead the group, centre on the exact measure of autonomy each bank is to enjoy.

"one," Mr Szukalski, who is also head of the Polish Banking Union, a trade association, says that "if these regional banks merge as separate legal units, retaining their names and local character."

PBG also wants the regional banks to retain responsibility for those sectors which they have developed in the seven years since they were carved out of the National Bank of Poland.

after the recent death in a car accident of Mr Marian Kantoni, head of the PKO SA, who was willing to accept a greater measure of autonomy for the three regional banks.

Setback for Hungarian energy offer

By Virginia Marsh in Budapest

A secondary offering of Mol, Hungary's oil and gas company, which the state hoped would be the country's largest international equity offer this year, is unlikely to go ahead until the spring.

sale of 12.18 per cent. It follows the placement of an 18.8 per cent stake for \$152m last autumn, in what was eastern Europe's largest ever primary equity offering.

stake in six gas and six electricity distribution companies and in three power generators last year, the government promised to raise prices twice this year, as well as guaranteeing investors an 8 per cent return and promising to clarify other regulatory issues.

sell something and then having different ideas in 1996 when it wants to be popular," one western energy executive said. "This is simply unacceptable."

renegotiate their purchase contracts. A partial solution favoured by some investors, on the electricity side, would be for MVM, the core electricity company which operates the national grid and is still state-owned, to act as a buffer, paying cost-reflective rates for the power purchased from generators, but selling distributors at a loss.

The decision rattled strategic investors such as RWE and Bayernwerk of Germany, Electricité de France, Gaz de France and Italgas, which last year paid nearly \$2bn for stakes in other local energy companies.

The delay will increase Mol's losses on its gas business - even with the planned rises it had expected a shortfall of about Ft3.5bn (\$18m) this year.

When Hungary sold off stakes in six gas and six electricity distribution companies and in three power generators last year, the government promised to raise prices twice this year, as well as guaranteeing investors an 8 per cent return and promising to clarify other regulatory issues.

Other investors hope they can convince the government to go ahead with the price rises on grounds that, otherwise, they will have to delay or scale back plans for badly-needed investment or

Group net profits in the year to February 29 fell to Pta30.93bn compared with Pta33.58bn the previous year. This was the lowest figure for six years. But Mr Isidoro Alvarez, chairman, described the result as satisfactory. "The test has been passed," he said.

El Corte Inglés, the third-largest Spanish company by turnover after the Repsol oil group and Telefónica, paid Pta30bn for the assets of Galerías Preciados, a troubled group which had been through six owners since the mid-1970s.

As a result of the purchase, total group investments almost doubled to Pta109.82bn, and outstanding financial debts climbed 42 per cent to Pta100.02bn. The deal involved 29 Galerías stores, of which 26 have since been reopened as El Corte Inglés branches, bringing the number of department stores in the group to 62.

The impact on profits was lessened by a 7 per cent net earnings increase at the Elpescor supermarket subsidiary to Pta5.97bn on sales up 11.5 per cent to Pta223.54bn. However, losses at the group's California-based offshoot The Harris Company rose from Pta657m to Pta862m.

FDA clears AIDS drug

Ares-Serono, the Swiss pharmaceutical group, said the US Food and Drug Administration had cleared its Serostim human growth hormone treatment for AIDS under its accelerated approval process.

Telefónica in Portuguese bid

Telefónica de España is seeking to lead a consortium in the Portuguese government's planned privatisation of a 25 per cent stake in Portugal Telecom. The size of the stake for which the consortium will bid will depend on the conditions set by the government.

The consortium could include Societa Finanziaria Telefónica, a company spokesman said. As part of a future alliance the two companies would wish to co-operate in areas such as international traffic, he added.

Telefónica recently formed a consortium to bid for a 35 per cent stake in Brazil's state-owned Companhia Riograndense de Telecomunicacoes.

Offer for Semperit

A group of investors headed by former Austrian finance minister Mr Hannes Androsch has offered to buy Continental's local tyre manufacturer Semperit Reifen. Mr Androsch told national radio ORF that he proposed buying and restructuring the unit's factory, sited in a Vienna suburb, in conjunction with foreign partners whom he did not name.

Skandia is an international corporation providing insurance and financial services in its Nordic home market and internationally. The group offers a wide range of direct insurance, reinsurance and savings products for individuals and businesses.

1996 Interim Report - Skandia Insurance Company Ltd.

Result Improvement

- The operating result improved by 34 per cent to MSEK 1,957 (1,462). The result before taxes rose 64 per cent to MSEK 1,544 (940). Total premiums written rose 9 per cent (-2) to MSEK 29,076 (26,662).

Table with columns: RESULT DEVELOPMENT, June 1995, June 1996, Change %

* Does not include Skandia Life Insurance Company Ltd. (Swedish Skandia Life), which is run on a mutual basis. The new Swedish Insurance Accounts Act went into effect on 1 January 1996.



ABO FIRST HALF 1996 FINANCIAL RESULTS. CONSOLIDATED BALANCE SHEET. CONSOLIDATED INCOME STATEMENT.

COMPANIES AND FINANCE: INTERNATIONAL

Gold miners on growth treadmill

Producers are turning to takeovers in the struggle to maintain their reserves

North America's big gold mining groups are on a treadmill. They have to keep running ever faster just to stand still.

Investors put a premium on companies whose gold reserves keep growing and also give a higher rating to big gold mining groups.

If they want to keep shareholders sweet, they will have to bring 7.65m troy ounces of gold into their combined reserves this year, or 217.7 tonnes.

This challenge has been put in the spotlight by the CS1bn (US\$730m) bid - which closes today - by Barrick for Arequipa, a four-year-old Vancouver company.

The Arequipa bid did most to bring home to investors the problems ahead for groups such as Barrick, which was formed only a little over 10 years ago and is now the biggest gold miner outside South Africa.

Arequipa's most important asset is a project in Peru where, at the time the bid was made, only nine holes had been drilled. What attracted Barrick was that



those drill holes indicated there might be 3.5m ounces of gold in the deposit.

Arequipa has an incredibly exciting deposit, says Ms Lesene Baker, analyst at Salomon Brothers. "But the bid points up the real challenge Barrick faces. Barrick needs to add 4m ounces a year to reserves just to stand still.

Mr Nick Hatch, at Flemings Global Mining Group, adds: "Obviously it becomes harder and harder to replace reserves. The problem can only get worse the bigger a company becomes.

this is already being reflected in the Barrick share price.

One obvious way for a gold group to boost reserves is via takeovers or mergers. Barrick's hectic growth has been helped by acquisitions, for example, its US\$1.6bn takeover of Lac Minerals, another Canadian company.

The pressure for takeovers and mergers among gold miners is also being increased by the market's preference for bigger groups.

In their latest review of North American gold producers, analysts at stockbroker T Hoare & Co point out that the top three companies (Barrick, Newmont and

Placer) account for 66 per cent of the total market capital of this sector of the Financial Times Gold Mines Index, whereas their share of gold production is only 54 per cent.

There is a big danger in the merger strategy, as the Hoare analysts point out. "Although it may increase total reserves and production and thus the (market) rating, the price paid is sometimes far more than the cost of finding new gold from scratch, although finding multi-million ounce deposits is clearly not easy."

Ms Baker at Salomon agrees: "Those companies with good exploration track records are the ones with the potential for adding most value, rather than those that have to acquire."

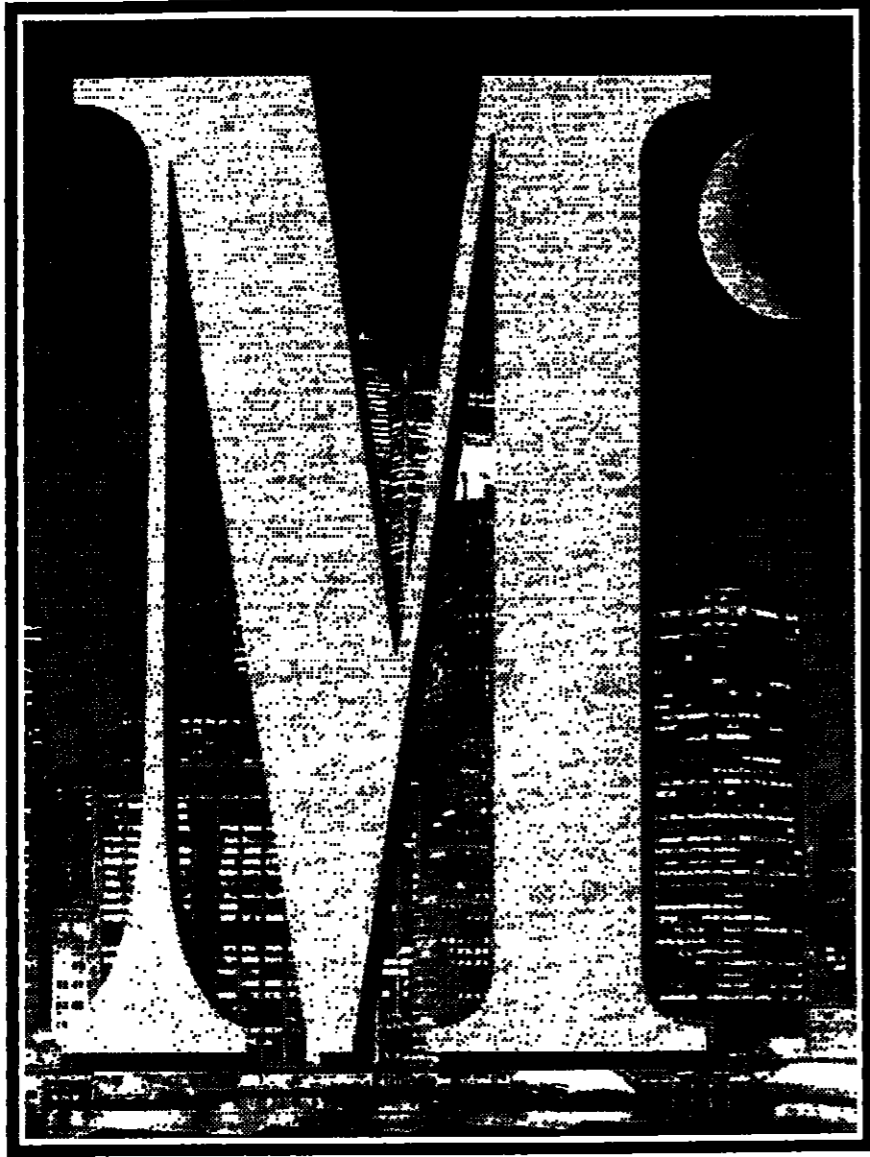
The difficulty investors face is that it is usually small or "junior" gold companies that have exploration successes. Arequipa in Peru and two other Canadian companies, Bre-X in Indonesia and IAMGold in West Africa, are recent examples.

"The large North American gold miners have found it increasingly difficult to discover gold deposits that are large enough to justify their involvement and capable of providing sufficient production to pay for the management time and big company overheads," says Hoare analysts Ms Elena Clarici, Mr Matt Sutcliffe and Mr Roger Chaplin.

"Large gold miners are resorting to a certain extent to the 'cheque book' approach to exploration which enables them to buy into juniors and areas after the discovery has been made and most of the surrounding areas have been staked."

Fortunately, as Flemings' Mr Hatch points out, it will be a long time before gold groups run out of new places to explore. "Huge tracts of the earth have not yet been properly explored and governments are now more willing to open them up to mining companies - this includes the bulk of Africa, Russia and other parts of the CIS, Indonesia, China and India," he says.

Kenneth Gooding



is for Midnight Oil

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INTERIM REPORT - SPARBANKEN SVERIGE - JANUARY - JUNE 1996

Stable development

- Operating income improved by 46% to SEK 2,474 M
Total revenues increased by SEK 461 M
Credit losses decreased by SEK 445 M
Return on equity rises to 19.6%

Income Statements, The Group

Table with columns for Jan-Jun 1996, Jan-Jun 1995, and Change. Rows include Interest receivables, Lending income, Interest payable, Dividends received, Commissions, net, Net financial income, Other operating revenue, Total revenue, Personnel expenses, Other expenses, Total expenses, Income before credit losses, Credit losses, Operating income, Net income, and Net interest income.

Key Figures, The Group

Table with columns for Jan-Jun 1996 and Jan-Jun 1995. Rows include Lending, SEK bn; Deposits/funding from the general public, SEK bn; Total assets, SEK bn; Return on equity, %; Earnings per share, SEK; Adjusted equity per share, SEK; V/E ratio before credit losses; V/E ratio after credit losses; Capital adequacy ratio, %; Primary capital ratio, %; Credit loss ratio, %; Doubtful claims to lending, %; and Number of employees, June 30.



The report can be requested from Sparbanken Sverige, Investor Relations, fax int. +46-8-723 71 32. The report is also published on the Bank's homepage on the internet: www.sparbanken.se

Please see prospectus for details of the purposes of the placement, the risks and the terms of the financing.

Prospectus for the issue of subordinated floating rate notes August 2003

CS First Boston Group

CS First Boston Finance, B.V. (formerly CSFI Finance B.V.)

US\$200,000,000 Guaranteed subordinated floating rate notes August 2003

Guaranteed on a subordinated basis by CS First Boston Group, Inc.

Notice is hereby given that for the interest period 27 August 1996 to 25 February 1997 the notes will carry an interest rate of 5.55469% per annum.

Interest payable on 25 February 1997 will amount to US\$28.08 per US\$1,000 note and US\$280.82 per US\$10,000 note and US\$2,808.20 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Interfinance Credit National N.V.

US\$100,000,000 Guaranteed floating rate undated unsecured subordinated non-cumulative capital notes

In accordance with the terms and conditions of the notes the rate of interest for the interest period 27 August 1996 to 25 February 1997 has been fixed at 9.028134028% per annum.

Interest payable on 25 February 1997 will be US\$45,642.23 on each US\$1,000,000 principal amount of the notes.

Agent: Morgan Guaranty Trust Company

JPMorgan

US Treasuries drag down Europe

By Richard Tomkins in New York and Corner Middlemann in London

With the UK closed for a national holiday, European government bond markets had a quiet day yesterday, dragged down by weakness in US Treasuries.

US bonds fell amid worries that the Federal Reserve might be set to raise interest rates next month, but the losses were mitigated by a decline in home sales.

At midday, the benchmark 30-year bond was down 1/2 at 97 1/2, yielding 6.967 per cent. The sell-off began on Friday when the latest report of

durable-goods orders indicated that economic activity was stronger than expected. The losses increased when the Fed released the minutes of the July meeting of its Open Market Committee.

GOVERNMENT BONDS

showing that policy makers had been closer to raising interest rates than many policy thought.

Worries about the prospect of an interest rate increase continued yesterday, but eased a little when the National Association of Real-

estate announced that sales of existing homes fell by 5 per cent in July. The figures were taken as an indicator that economic growth might, after all, be slowing.

German bunds ended a lacklustre session weaker, with the September futures contract on the DFT, Germany's futures and options exchange, down 0.37 at 97.15 in thin turnover.

Technically, this put the German market in a weak position, said a trader in Frankfurt. "If the bund contract on Liffe gaps lower [today], that doesn't bode well for the market," he said.

Preliminary August inflation data for western Germany showing a 0.1 per cent decline on the month and a 1.4 per cent rise on the year, had little impact on bunds.

The French bond market also weakened, with the notional bond future on Matif slipping by 0.22 to 123.30 in thin volume.

Italian bonds were hit by a softer lira and weaker bunds and Treasuries; the bond futures contract falling by 0.56 to 115.34. Spanish bonds fell less sharply, with the bond future on Mef ending at 100.56, down 0.26.

BNI given investment grade rating

By Marissa Saragosa in Jakarta

Bank Negara Indonesia, the state-owned bank which ranks as Indonesia's largest and is due to be publicly listed before the end of this year, has been assigned an investment grade long-term rating of triple B and a short-term rating of A-3 by Standard & Poor's.

The rating agency said BNI's capitalisation was "reasonable", its equity-to-assets ratio "satisfactory", and that it would have the "probable support of the Indonesian government if it became distressed financially".

BNI has made no comment on the rating but it is bound to please following the low

rating assigned to the bank by Moody's Investors Service in February this year.

Moody's allocated BNI a financial strength rating of D-plus, noting that its main challenge was to balance its commercial standards with those needed to support government policies.

S&P said that while BNI's financial profile is "dampened" by low to moderate profitability and moderately high non-performing loans, the bank's "fiscal health" last year allowed it to increase market share.

While BNI's non-performing loans are "better than those of many other state banks", its lending exposures are "believed to be high relative to international peers".

"The bank essentially has reduced a large bulk of its non-performing assets and its main task now is to improve its competitiveness against the major private sector banks," S&P said in its rating statement.

Earlier this month, Mr Nono Purnomo, BNI managing director, indicated concern over whether the health of the state banking sector following a series of bad debt scandals in recent years would affect BNI's plans to list its shares this year.

He noted that BNI has "relationships" with 75 per cent of government-owned enterprises and that its "system of credit control is considered good".

domestic loan portfolio although it intends to increase retail banking's share to 50 per cent. The bank has assets worth Rp32,000bn (\$13.65bn) and more than 13,000 employees.

BNI is widely expected to be the first state-owned company to follow the initial public offering of Telkom, the state-controlled domestic telecommunications company, which was partially privatised in October last year.

Mr Baecilius Ruru, senior finance ministry official responsible for state-owned enterprises, has said the BNI float would be a domestic issue listed in Jakarta, with a tranche offered to international investors and a single co-ordinator.

Swiss Banking

on Monday, October 28

For further information please contact John Rolley on Tel: +41 22 731 1604 or fax: +41 22 731 9481

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COMPANIES AND FINANCE: UK

Overexpansion felled Chamberlain

By Jane Martinson
 Receivers at Chamberlain Phipps have blamed most of the UK footwear group's downfall on its aggressive international expansion.

Speaking for the first time since being appointed last Monday, Mr Murdoch McKillop, joint receiver, said that difficult trading in the UK shoe industry had not helped, but it was international ambitions that led to the group's downfall.

Chamberlain shares were suspended last week after a survival plan put forward by Postern, a corporate recovery specialist, was rejected by creditors led by the Bank of Scotland. The bank, together with Credit Lyonnais Leasing, was owed about £20m (\$47m) by the company, which had issued two profits warnings and breached its bank covenants.

The Arthur Andersen receivers now hope to sell Chamberlain's three remaining international divisions - in the US, Canada and the UK - separately and as going concerns. "We are trying to make sure all the constituent parts survive, but under new ownership," said Mr McKillop.

Although some potential buyers had indicated they would be interested in the entire business, this is unlikely to happen. In spite of a number of approaches, Mr McKillop is not keen to rush into a sale. "There is no need to rush into anything and certainly no need to panic. We are not going to have a fire sale. What we want is for the businesses to settle down."

The strategy of delaying the sales is intended to attract better prices. Mr McKillop said the 12 serious buyers would be contacted once his 20-strong team had "a better idea about what's happening". He envisages the UK sale within three months, by which time a statement of affairs from the former directors should have been filed. Six people had left Chamberlain's head office and no other redundancies were planned.

The French shoe manufacturing arm was sold last week in a management buy-out, although final details have not been agreed. Mr McKillop intends to realise the group's investment in the two other international companies, as well as intercompany debt of some £8m (\$5.8m) in Canada and \$4m in the US.

The most difficult sale is likely to be that of Knappa, Chamberlain's US company. Mr McKillop denied speculation that the company might have to file for Chapter 11 Bankruptcy protection.

Bass deal may mean licensing review

By Alice Rawsthorn
 Bass may face a review of the licensing deal to make and distribute Castlemaine XXXX, the Australian lager, if its proposed acquisition of Carlsberg-Tetley, the rival brewing joint venture, goes through.

Carlsberg-Tetley, which spent a year negotiating the acquisition with Bass before agreeing terms at the weekend, holds the licence to produce and sell Castlemaine in the UK from Lion Nathan, the New Zealand drinks group that owns the brand.

Under the terms of such agreements, licensing rights usually come up for review if the licensee undergoes a change of control. This is believed to be the case under Carlsberg-Tetley's licensing deal to produce Castlemaine.

The acquisition agreement involves a change of control for the Carlsberg-Tetley venture. It enables Bass to buy 50 per cent of the company from the Allied Domecq drinks group for £200m (\$310m).

Carlsberg, the Danish brewer, will put the other 50 per cent of Carlsberg-Tetley plus £20m into Bass's UK brewing subsidiary, in return for a 20 per cent stake in that business.

Bass said Carlsberg-Tetley had a number of other small licensing arrangements, but the Castlemaine contract was by far the biggest. Castlemaine is the UK's 11th best selling beer brand.

The UK brewer's plans for Carlsberg-Tetley have been put on ice, while the Office of Fair Trading reviews the proposed deal, which will enlarge Bass's share of the UK brewing market from 23 per cent to 35-38 per cent and give it eight of the 15 best selling beer brands.

Banks back Greycoat's City projects

By Simon London, Property Correspondent
 Greycoat, the property company, has raised bank finance for two speculative City of London office developments, providing the most concrete evidence to date that lenders are returning to the development market.

Banks have been unwilling to finance speculative property schemes since the City development boom of the late 1980s, which resulted in an oversupply of new buildings, a collapse in property values and large loan write-offs.

The availability of bank finance will determine whether a new wave of speculative development takes place, now that City rents are again on an upward trend.

Greycoat has raised about £20m (\$31m) to finance two 50,000 sq ft developments, at 7 Bishopsgate and 1 Great St Helens. Both schemes are scheduled to be completed by the end of 1997.

The respective lenders are Hongkong and Shanghai Banking Corporation and Heliba, the German mortgage bank.

The loans are non-recourse, so the banks' main security is in the value of the finished buildings, which Greycoat has guaranteed to complete.

In each case, the banks agreed to lend 50 per cent of the development cost, a conservative loan-to-value ratio. In the late 1980s, loan-to-value ratios were typically 75-80 per cent, which meant that developers needed relatively little equity to fund speculative projects.

Utd Utils woos US investors

By Jane Martinson
 Senior executives from United Utilities, the UK's first multi-utility, returned from an intensive charm offensive aimed at US investors on Friday.

The visit, the first by executives in two years, follows substantial investor criticism of the group's new pay packages agreed at last month's annual meeting.

Mr Bob Ferguson, group finance director, accompanied on the trip by Mr Brian Staples, group chief executive and Mr Clive Eppich, planning director, said US institutions had shown "a lot of interest in the United Utilities story".

As well as the controversy over the new pay plan, US institutions have questioned the role of Sir Desmond Picheur, executive chairman, in recent months. Sir Desmond, who went on holiday after the annual meeting and has only recently returned, is still expected to carry out his own charm offensive aimed at UK investors.

Following North West Water's £1.8bn (\$2.79bn) takeover of Norweb last November - to form United - the shares have underperformed the sector. But since last month's annual meeting they have gained some 40p to close at 607p on Friday.



Powering the floatation - David Price, left, with David Shipman, finance director

Lavendon raising up to £12m

By Christopher Price
 Lavendon Group, which rents out mobile extensions for outside broadcast cameras and construction work, is planning an autumn floatation which is likely to value the company in excess of £26m (\$39m).

The group plans to raise between £5m and £12m, which will be used to pay off venture capital investors and reduce debt. Lavendon, founded in 1988, was subject to a management buy-in in 1992. CinVen owns 55 per cent of the equity and management the remainder.

Mr David Price, chairman, said the market for powered access equipment was being driven by health and safety requirements across Europe, and was replacing traditional scaffolding in a large number of markets.

Pre-tax profits of £1.8m were struck on sales of £9.9m in 1995, against £650,000 and £7.2m respectively.

About two-thirds of Lavendon revenues are generated from the construction business, including a large proportion of repair and maintenance work. The company also provides powered access vehicles for broadcasting work, including the Wimbledon tennis championships and the British golf championship.

The company has 400 powered access vehicles, the largest of which cost £500,000 and is hired out for £10,000 a week.

Benson Gregory is sponsor and broker to the float.

likely to be at a modest premium to the share price - then 179p, valuing it at a £24.7m.

BDM shares, at 159p before takeover speculation began, closed at 180p on Friday.

It is thought any deal could take some time to put together because of the relative sizes of the two groups: Mentmore has a market capitalisation of only £27m. Analysts did not rule out a bid from another party, with Brambles Industries, the Sydney-based transportation and equipment hire group, mentioned as a possible candidate.

Mentmore in bid talks with BDM

By Geoff Dyer
 Mentmore Abbey, the stationary, housewares and storage group, has entered into talks with British Data Management about a takeover bid for the archive storage company.

A takeover would further transform Mentmore, which changed its name from Platinium in March when it acquired Abbey Storage for £24.5m.

BDM announced on August 13 that it had received an approach which might lead to an offer. The group said that any bid was

for the year ended 30 June 1996

	30.06.96	30.06.95	% Change
R million			
Attributable income	1 803	1 003	80
Attributable income (before exceptional items)	1 494	1 017	47
Net assets (at valuation)	25 110	19 314	30
Cents per share			
Attributable income	124.4	72.8	71
Attributable income (before exceptional items)	103.1	73.8	40
Attributable cash earnings (before exceptional items)	135.7	74.8	81
Dividends	25.0	20.0	25
Net assets (at valuation)	1 730	1 392	24
US\$ million			
Attributable income	469	279	68
Attributable income (before exceptional items)	388	283	37
Net assets (at valuation)	5 794	5 313	9

FINAL DIVIDEND

A final dividend No. 141 (coupon No. 150) of 18 cents (1995 - 14 cents) per ordinary share has been declared, payable on 27 September 1996 to shareholders registered on 13 September 1996. The share register will be closed from 16 September to 25 September 1996.

The dividend is payable in the currency of the Republic of South Africa. Payments from the United Kingdom will be made in United Kingdom currency at the rate of exchange ruling on 19 September 1996, or on the first day thereafter on which a rate of exchange is available.

By order of the Board

B.P. Gilbertson
 M.L. Davis

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- How the Markets will Respond to the Prospects of New Diamond Production

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Mr R John Robinson Chief Executive, Ashton Mining Limited	Dr Luc Rombouts Managing Director, Terraconal bvba
Mr James Picton Research Consultant, Standard Equities, Johannesburg	Mr Peter M Miller Chief Executive, St Genevieve Resources Ltd, President, KWG Resources Inc
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The organisers reserve the right to alter the programme as may be necessary.

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DOLLAR SPOT FORWARD AGAINST THE DOLLAR. Table with columns for Country, Closing mid-point, Change on day, Bid/offer spread, Day's Mid High/Low, One month Rate, Three months Rate, One year Rate, J.P. Morgan Index.

WORLD INTEREST RATES

MONEY RATES. Table with columns for Country, Over night, One month, Three months, Six months, One year, Libor, Dis. rate, Repo rate.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES. Table with columns for Country, Bid, Offer, DM, SF, Yen, etc.

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Table with columns for Gold mine index, Bid, Offer, etc.

EURO CURRENCY INTEREST RATES

Table with columns for Country, Short term, 7 days, One month, Three months, Six months, One year.

UK INTEREST RATES

Table with columns for London Money Rates, Over-night, 7 days, One month, Three months, Six months, One year.

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Table with columns for Issue, Amount, Latest price, etc.

US TREASURY BOND FUTURES

Table with columns for Contract, Open, Settle, Change, High, Low, Est. vol., Open int.

UK MONEY RATES

Table with columns for London Money Rates, Over-night, 7 days, One month, Three months, Six months, One year.

BASE LENDING RATES

Table with columns for Bank, Rate, etc.

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Table with columns for Contract, Open, Settle, Change, High, Low, Est. vol., Open int.

BANK RETURN

Table with columns for Banking Department, Assets, Liabilities, etc.

UK GILTS PRICES

Table with columns for Issue, Price, etc.

BENCHMARK GOVERNMENT BONDS

Table with columns for Country, Coupon, Maturity, Price, etc.

STOCK INDICES

Table with columns for Index, 1996, 1995, etc.

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Table with columns for Issue, Price, etc.

US TREASURY BOND FUTURES

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US COMMODITIES PRICES

Table of US commodity prices including Base Metals, Energy, Grains and Oil Seeds, Softs, Softs continued, and Meat and Livestock. Columns include contract names, prices, and changes.

FT GUIDE TO WORLD CURRENCIES

Table of world currencies with columns for country, currency, and exchange rates against the US dollar and other major currencies.

THE PAKISTAN FUND 1996 FINAL RESULTS

Table showing the 1996 final results of The Pakistan Fund, including Chairman's Statement, Financial Statements, and a list of shareholders.

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Main table containing fund names, prices, and performance metrics. Includes sections for 'OTHER OFFSHORE FUNDS' and 'MANAGED FUNDS NOTES'.

Rockwell's advanced technology is helping railroads improve performance and promote safety. Rockwell logo.

OTHER OFFSHORE FUNDS

Table listing various offshore funds with their respective prices and details.

MANAGED FUNDS NOTES

Notes providing additional information and disclaimers for the managed funds, including details on fees and risks.

NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'D', 'I', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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دولت الامارات

Continued on next page

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NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page' and 'T'.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'L', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

AMEX PRICES

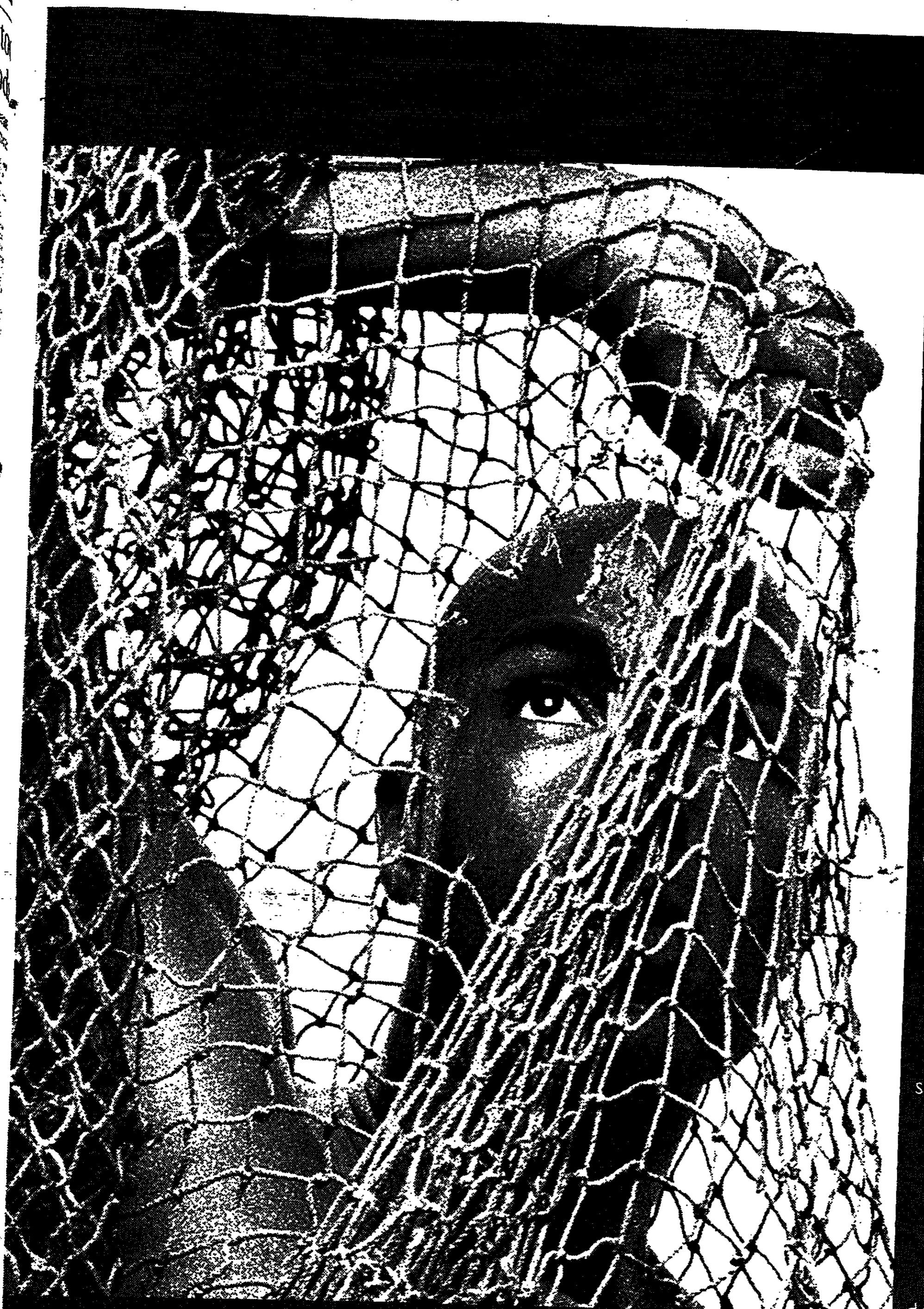
Table of AMEX stock prices including columns for stock name, price, change, and volume.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume.

Advertisement for 'Spain' featuring the slogan 'Have your FT hand delivered in Spain.' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.' Includes contact information for Madrid on 337 00 61.

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ARTS

Forgotten talent rediscovered

William Packer on the Edinburgh galleries

Arthur Melville, at Bourne Fine Art, was a virtuoso in his preferred medium of water-colour...

through the associative abstraction of William Johnstone and the sharp focus of James Mackintosh Patrick...

Landseer and Winterhalter. But what makes her truly remarkable is that, failing to achieve the final success of royal patronage at home...

In his interest and subject-matter, Melville was close to the Orientalism of such as Lewis and Lear...

There is no sculpture here now in Edinburgh more extraordinary than the tomb model of a Han watch-tower...

Speaking Likeness at the Scottish National Portrait Gallery deserves mention, if only for being such a good idea...

The City Art Centre has three shows, each quite distinct. Heartland is drawn upon the City Council's own collection of landscapes...

In the basement is the fascinating rediscovery of the work of Christina Robertson, a Scottish portrait painter...

substantial, that carry us into a world of the great Victorian illustrators, but larger than life...



'Children with a parrot', 1850, by the remarkable Scottish artist Christina Robertson

Musical Kiss the Sky

As the pub that the Bush Theatre inhabits is being refurbished, it has had to go into exile to the Shepherd's Bush Empire bar next door...

Inés de Castro

Richard Fairman on James MacMillan's first full-length opera

Selling a new opera is not much easier than when people recognise the composer's name...

For the bloodthirsty final tableau Pedro exults in his triumph, but fails to find music to match the strangeness of the ending...

memorable time ever takes a bow. With several large set pieces to set on the high, Helen Field tirelessly throws herself into the part of Inés de Castro...

Under the terms of the Scottish Arts Council's new funding system, theatre companies are invited to apply to cover specific constituencies...

Traverse fare on the Fringe

Richard Fairman on the Traverse Theatre's new season

depressive disintegration of mother Graine. For years father Eric has let his younger children believe their mother is dead...

World Service

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Between the songs, the monologues of drab northern traveller Alan Williams takes us on a kind of psychedelic package tour...

Between the songs, the monologues of drab northern traveller Alan Williams takes us on a kind of psychedelic package tour...

INTERNATIONAL ARTS GUIDE

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EDINBURGH EXHIBITION National Gallery of Scotland Tel: 44-131-5588921

LIVERPOOL EXHIBITION Liverpool Museum Tel: 44-151-2070001

LONDON EXHIBITION Courtauld Institute Galleries Tel: 44-171-8732525

LUCERNE CONCERT Kunsthalle Luzern Tel: 41-41-210 35 62

NEW YORK EXHIBITION The Metropolitan Museum of Art Tel: 1-212-879-5500

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COMMENT & ANALYSIS



Martin Wolf

The politics of growth

The key to understanding why some developing countries are doing better than others lies in the way different state structures respond to economic pressures

In the mid-1950s Ghana and Thailand had much the same income per head; so did Nigeria and Indonesia. By 1994, Thailand's real income per head was almost three and a half times Ghana's and Indonesia's three times Nigeria's. Countries facing the same international economic environment and possessing very similar resources have succeeded wonderfully or failed miserably. Why is this - and can more countries shift from the latter to the former category?

The proximate causes of growth are the rate of investment and its efficiency," argue professors Deepak Lal of the University of California at Los Angeles and H. Myint, formerly of the London School of Economics. In their remarkable book, *The Political Economy of Poverty, Equity and Growth* (Clarendon Press, Oxford), but these in turn are determined by the actions of governments, which can underpin - or demolish - investment opportunities.

Whatever governments can do for development, there are three things they must do:

- Provide the basic public goods, above all security of life and property, at tolerable cost in terms of taxation.
- Ensure fiscal and monetary stability.
- Allow citizens to exploit the global economy.

Too often governments have failed to carry out even this limited list of duties. The Human Development Report from the United Nations Development Programme lists 70 countries with income per head no higher today - and often much lower - than in the 1960s and 1970s. Thirty more have income per head no higher than in the 1980s. In every case, states have failed on one of the above counts, often all three.

Why? The answer demands on an understand-

ing of the interaction between politics and economics. Profs Lal and Myint answer persuasively that governments have either failed to understand how to do better, or seen no interest in doing so, or both.

There is almost universal recognition of the disastrous consequences of heavy-handed dirigisme - usually including a bias against trade, needless controls on economic activity, penal taxation of agriculture, promotion of state enterprises and suppression of financial markets. Less understood is how often the goal of "nation-building" has been used to justify such excesses. But the maggot of corruption, tax evasion and illegal activity have then rotted the states such dirigisme was intended to strengthen.

Yet it is to the understanding of interests rather than ideas that Profs Lal and Myint make their most innovative contribution. One helpful way of thinking about the political economy of development, they suggest, is in terms of an economic model with two agricultural products, several manufactures (produced with different ratios of capital to labour) and three "factors of production" - labour, capital and land.

All developing countries have a higher ratio of labour to capital than the world average. That is what underdevelopment means. But some also possess a higher ratio of labour to land - these are "labour-abundant" countries. More often, developing countries are "land-abundant", with higher ratios of land to both labour and capital than the global average. Or they fall in between, being neither labour- nor land-abundant. Land-abundant countries are underdeveloped, but may not be poor.

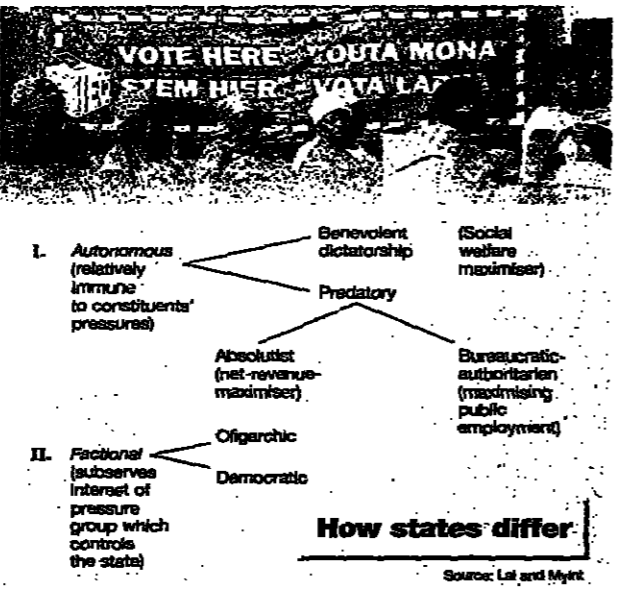
A labour-abundant country starts its development with very low real wages and a clear comparative advantage in labour-intensive manufactures. Hong Kong was an example. By contrast, land-abundant countries, such as Argentina, start with higher real wages and no comparative advantage in labour-intensive manufactures.

To overcome the initial obstacle of its relatively high labour costs, the government of a land-abundant country intent on industrialisation will be tempted to intervene heavily. This helps explain the protectionism and "big-push" industrialisation of Brazil or Mexico. Moreover, such countries will be riven by distributional struggles between those who live off wages and those who live off the returns to land (or other resources).

These economic pressures interact with the structure of the state. Economists too often assume the government is a benevolent maximiser of social welfare. A more realistic view, proffered by Profs Lal and Myint, divides states into two groups: the autonomous, usually despotic, largely free of pressures from the governed; and the factional, where such pressures are the stuff of politics (see chart). Of the 21 countries in the sample studied by Profs Lal and Myint, 11 are classified as factional states, six as predatory autonomous states and just four as benevolent ones.

Benevolent autonomous states, among which are included Hong Kong and Singapore, have performed rather well. But such states are inevitably rare: power and old age tend to corrupt rulers.

Encouragingly, democracies have proved no more hostile to successful economic development than authoritarian states.



LETTERS TO THE EDITOR

Electronic dream is still hampered by fears of intrusion

From Mr Jack Savidge.

Society's adoption of the "electronic purse", cited in "A world that turns on plastic" (August 23), will take longer than 10 years. Let's look at history.

At 3M Company, in 1994, I pioneered the travel adoption of banking industry credit cards. Then industry had two questions: (1) is this a valid credit card? (2) is the person handing me this card the valid owner? Time and technology have solved the question of card carrier validity. During the late 1980s and the 1990s, industry evaluated all manner of human biometrics to link the card to the carrier. We all have unique elbow and palm prints, urine, wrist vein and retinal patterns, signature pressures and index finger and big-toe shapes. Consumer panels recoiled at the methods proposed to capture these human identifiers. Even now we feel invaded having our picture on ID cards. Surely it will be a long time before people will stand before an

eye-piece to have their retinas laser scanned.

Now to the long-awaited personal information card. At inauguration, the magnetic strip was forecast to be a pocket storage of medical records, credit data and a re-loadable source of petty cash.

Yet in 1996, after enormous advances in magnetic storage density, the magnetic strip only contains the 16-digit card number and authorisation PIN used as a substitute for keyboard data entry.

Will the "smart card" do better? I think not. We must await the next technology, a low-cost, re-usable, CD-Rom-like, optically recorded card. Then, just maybe, we can fulfil the portable electronic document dreams set in motion 30 years ago.

Society will fight personal identifier intrusions while remaining slow to adopt new ways.

Jack Savidge,
6898 Paseo Laredo,
La Jolla,
CA 92037, US

Leadership crucial to integration

From Mr Andrew Cecil.

Sir, Michael Stürmer's Europa article, "Resisting the melting pot" (August 16), implies there is a momentum with a subconscious persona fuelling the engine of European integration. Is this really the case?

With the exception of the perceived Frenchman's vision of Europe and what Stürmer describes as the Germans' insecurity about their national dream, I fear that the majority of the other 370m Europeans would agree that European integration is hardly a self-fulfilling development.

I doubt that Jacques Delors, Francois Mitterrand and Helmut Kohl would relish the thought of being informed that they ideal that worked towards an integration to be realised in any case, independent of their tireless efforts.

True enough, political union should not be rushed into or "engineered", and similarly questions need to be asked at present about economic and monetary union (Emu), in particular whether it is not being forced upon European citizens, either to satisfy the political ambitions of the ruling elite within Germany or other member states, or based on a mistaken apprehension that unless the Maastricht Treaty is followed Emu is doomed.

However, this should not detract from what is self-evident from European history - that without common leadership and shared objectives, Europe's varied economic, social and cultural heritage risks pulling the continent apart.

Andrew Cecil,
rue de la Roche Laine 34,
1050 Brussels, Belgium

An eye on civil liberties

From Mr Onésimo Alvarez-Moro.

Sir, As standards are being unified on a European basis, we should also look to equalise the Europe-wide list of civil liberties which need to be protected.

Let us start with identity cards and street video cameras. In England, video cameras seem to have become more prevalent than those ubiquitous satellite dishes. The cameras were installed with barely a whimper from civil libertarians. In contrast, the persistent suggestions that

an ID card be introduced there have met with howls of protest. In Spain, where ID cards are more common than credit cards, they are up in arms over the possible installation of video cameras.

I wonder how many pages the European Commission's report to unify standards will take? Sounds like we will need another campaign to "save our forests".

Onésimo Alvarez-Moro,
18 Andrews House,
Barbican,
London EC2Y 8AX, UK

FINANCIAL TIMES TUESDAY AUGUST 13 1996 **

NatWest takes the lead in corporate banking

By George Graham, Banking Correspondent

National Westminster Bank has overtaken Barclays to gain the biggest share of the UK corporate banking market, according to a review by Chartered Banker, the magazine of the Chartered Institute of Bankers.

Lord Alexander, chairman of NatWest, said his bank had been focusing on the corporate market. "It's obviously good news because there is no question of our buying market share by relaxing lending standards," he said.

In a more detailed survey of the 500 largest companies, Chartered Banker found that NatWest was rated by finance directors as the best bank for short and medium-term loans, treasury management, leasing, foreign exchange and international trade finance.

Enough said.

Why comment further when the FT article has said it all? To find out how we can help you make a success of your business, call George Farrow, Senior Executive, on 0171 454 2560 and he'll arrange for a NatWest Corporate Manager to contact you.

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A time for diligence

London's Aim junior market has grown fast - perhaps too fast, says Christopher Price

For some investors, the start of the London Stock Exchange's first annual review of its junior market last week could not have come soon enough.

A growing number of those participating in the Alternative Investment Market have been worried by the sharp rise in the number of companies gaining admission, the conduct of advisers and an increase in flotation prices.

They have complained that the rising valuations of companies coming to the market often fail to recognise the high-risk nature of some of the ventures.

The failure of many of the summer's new issues on Aim to rise above their flotation prices has added to the unease.

"Too many companies have been coming too quickly, and there will undoubtedly be casualties as a result," says Mr Geoff Douglas, small companies analyst at Barclays de Zoete Wedd, the investment bank.

But concerns over the regulation of the new market have deepened in recent weeks following a spate of unwelcome developments. These include the censuring of the chairman of Optical Care (Bermuda) for failing to mention his association with failed companies; the resignation of the adviser and broker of Firecrest, the media and information company; and profits warnings from Active Imaging and Self Sealing Systems.

Matters were not helped by the Securities and Futures Authority inquiry into share dealing in SkyNet Corporation on the Otfex market, a private unregulated facility which was acting as a springboard for prospective Aim applicants.

SkyNet's Aim application has been put on hold pending the outcome of the authority's inquiry.

The concern over the market's regulation is felt by some of Aim's staunchest supporters, who have broadly welcomed the Stock Exchange review of the conduct of advisers, brokers and companies.

"The market's weakness is that due diligence has not been as good as it should have been," says Mr Brian Winterlood, head of Winterlood Securities and the only marketmaker to deal in all 205 Aim shares. "The consequences of this first review will be enormous. The Stock Exchange needs to get tough - and need to be seen to be getting tough."

The burden of any remedial steps is likely to fall on the nominated advisers - the brokers, accountants, financial advisers and law firms which play a crucial role in regulating Aim.

All companies quoted on the new market must employ one of the 60 so-called "nomads" approved by the Stock Exchange. The nomad is responsible for scrutinising a company's admission documents and ensuring that the directors comply with market regulations. This responsibility does not end at admission, but continues as long as the company trades on the market.

Unlike in the main market, the Stock Exchange plays no direct role in scrutinising Aim companies. Instead it relies on the nomads' desire to protect their reputations as the market's main means of regulation.

However, the popularity of Aim has put the nomads' role under strain. In July, for example, some 25 companies joined it - more than double the monthly average. This led to fears that due diligence duties could suffer.

There are fears of a repeat of what happened on the main Stock Exchange market in 1994, when a rush of new issues was followed by some high-profile corporate problems. The subsequent collapse of one of them, Aerostructures Hamble, led to questions over the level of scrutiny.

Aim was designed to be a cheap, easily accessible market for young and growing companies. The Stock Exchange has thus been keen to recruit nomads which can offer their services at competitive prices. This has discouraged the bigger, more experienced brokers, which do not see the new market as financially attractive.

Some nomads also argue the fees necessary to carry out the correct level of due diligence. This is a particularly time-consuming job with start-up companies, as shares quoted on the new market need no minimum trading record.

The result is that companies are increasingly going to nomads which offer the service at a lower cost - and there are fears that this is leading to lower standards of scrutiny. It is this factor that has led many large institutional investors to stay out of Aim.

"Cheaper nomads with lesser reputations to protect are the big danger to this market," says one leading adviser.

Some nomads, such as stockbrokers Rowan Dartington and Teather & Greenwood, have decided not to bring any more companies to Aim in the near future because of its state. Gerrard Vivian Gray, one-time adviser to Firecrest, Optical Care and SkyNet, has hinted that it may quit the new market altogether.

The Stock Exchange dismisses concerns over the nomads and insists it will take appropriate action against any wrongdoing it discovers.

"We have always said that this is a market which is higher-risk, and if it were not structured in the way it is it would not be accessible to the young, growing companies being targeted," says Ms Theresa Wallis, the market's chief executive.

She also points to the undoubted success of Aim in establishing a platform for young and growing companies to raise capital. Since trading began last June, almost £50m has been raised and the market is capitalised at £4.3bn.

Investor confidence has been underpinned by the strong performance of the UK stock market, which has been reflected in the Aim. More than 65 per cent of shares on the new market are now higher than their admission price.

Aim has also benefited from generous tax breaks for wealthy private investors, who consequently make up a large proportion of its backers.

But they, along with many other market participants, will be keeping a close eye on the Stock Exchange's actions as the review unfolds over the coming weeks.

Theresa Wallis: Aim is a higher-risk market

صوتك من الامل

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday August 27 1996

The Balkan slowcoaches

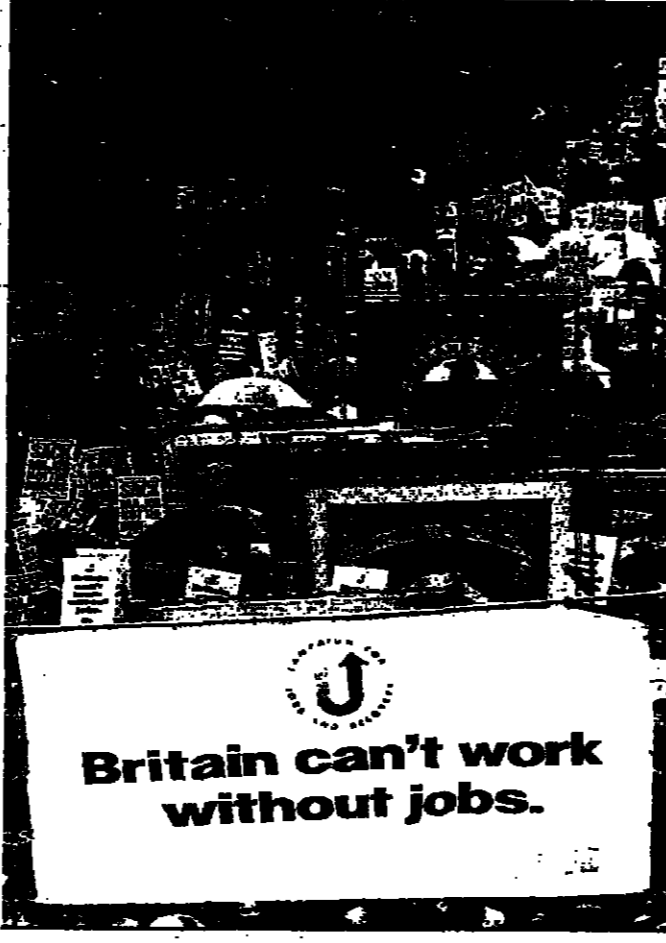
It becomes ever more apparent that Bulgaria and Romania have the sickest economies in central Europe. In their present mood, they are causing the two Balkan states to fall further behind the fast-track reformers, such as Poland, Hungary and the Czech Republic, in former communist Europe.
Nominally they have kept pace with other countries from the region in the competition for early membership of the European Union. They have managed to answer all the questions put by Brussels as a prelude to entry negotiations. But economically they look increasingly semi-detached among the 10 EU applicants from eastern and central Europe.
The \$502m stand-by credit approved for Bulgaria last month by the International Monetary Fund has pulled that country back from the brink of default, at least for the moment. But IMF officials arriving in Sofia last week for an initial progress review can hardly feel sanguine about the prospects for success. Bulgaria has consistently lagged behind others in the region on privatisation, banking sector reform and the restructuring of arge, loss-making state-owned enterprises.
The price of these failures has mounted rapidly. The collapse of confidence in the lev has caused the Bulgarian currency to lose 65 per cent of its value since the start of the year. Interest rates have climbed to 108 per cent, and the monthly rate of inflation reached a record 23 per cent in July.

Painful sacrifices
The IMF package addresses these woes, but its tough terms will demand yet more painful sacrifices from a population already burdened by economic dislocation and the need to queue interminably, whether to retrieve their deposits from the crumbling banking system or to buy bread.
Not surprisingly, political leaders in Romania show an allergic reaction to comparisons with their southern neighbour. They argue correctly that there are sharp differences in some

The housing benefits mess

Of all the policies that make up the UK welfare state, public support for housing has always been the hardest to get right. Sir William Beveridge tried, and failed, to come up with a solution in his famous 1942 report. He admitted at the time that his proposal would only make the best of a difficult situation. By any reckoning, however, the present system makes the very worst of it.
There are two main problems, both of which have mushroomed in recent years: the cost of means-tested housing support and its pernicious side-effects. Spending on housing benefit is projected to be \$11.1bn during 1996-97, more than double the amount spent in 1989-90 and 10 times the 1979-80 total. There is nothing wrong, in principle, with the government spending \$11.1 bn, or 1 1/4 per cent of gross domestic product, on one segment of social policy. Many rich countries spend much more on different types of housing support. Few, however, spend it on a single benefit. One, moreover, that encourages fraud and long-term dependency on welfare by the unemployed.
These were not the effects the government had in mind when it decided in the 1980s to reduce public subsidies for the construction of social housing in favour of means-tested individual rent rebates. The aims were to reduce the distortions in the housing market caused by having such a large gap between private and social sector rents, and to target housing subsidies to people in need more effectively. Spending much less on "bricks and mortar" subsidies and much more on housing benefit has achieved both objectives. But few would argue that the gains have been worth the unintended costs.

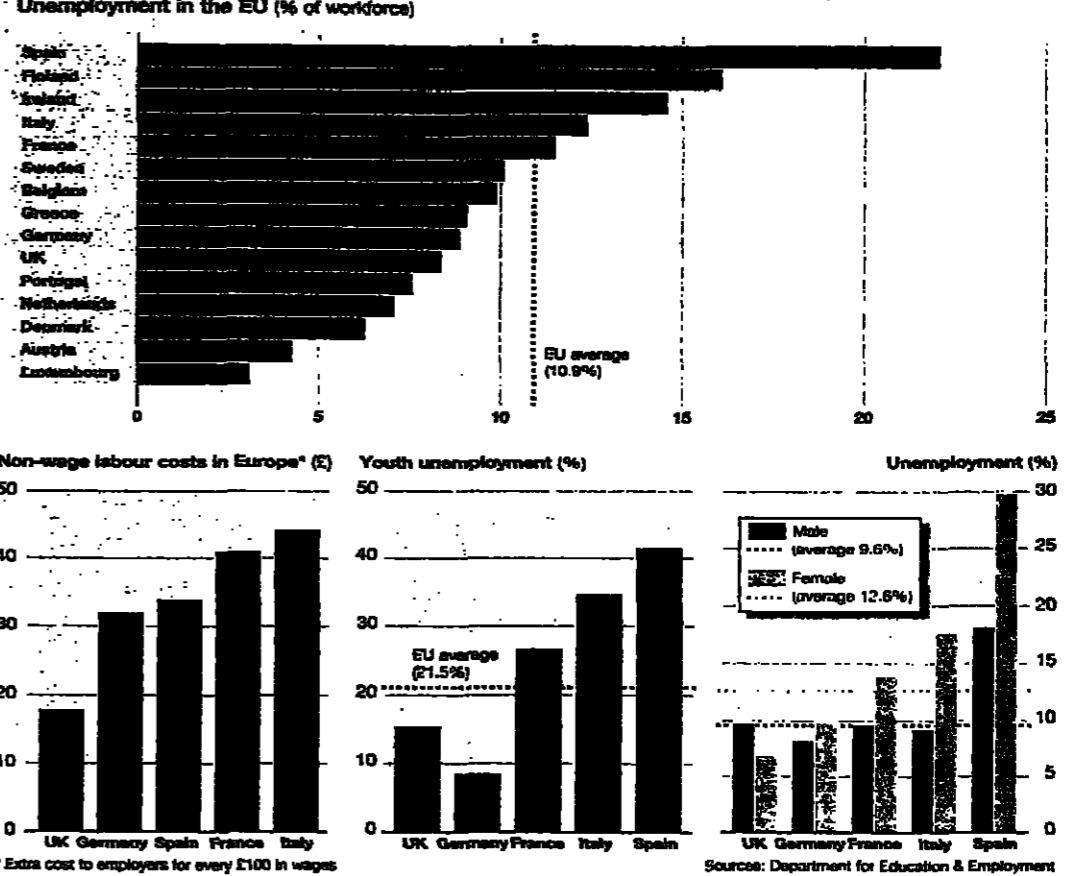
Creating ghettos
On conservative estimates, at least £1bn of the total housing benefit bill consists of fraudulent claims, many made by private landlords rather than benefit claimants themselves. The government has recently stepped up its efforts to tackle



Unions learn to love Europe
Enhanced worker rights delivered by Brussels have helped labour organisations back a strong role for the UK in Emu, says Robert Taylor

The impact of European employment law on the UK labour market will be one of the big issues dividing the political parties at the next general election. Mr John Major, the prime minister, has called the European Union's social chapter, which he refused to sign in 1991, "immoral". Mr Tony Blair, the Labour leader, is committed to the social chapter, although he has assured the business community he will do nothing to injure UK competitiveness.
Most UK employer organisations condemn social legislation emanating from Brussels in sweeping terms, claiming it adds costs to business. Mr Graham Mather, Conservative member of the European Parliament and president of the European Policy Forum, the right-wing think-tank, believes the UK's flexible labour market is under threat from the advance of old-fashioned collective bargaining, mandated interference with employment contracts, state-controlled adjustment of working hours and types and patterns of work.
But Britain's trade unions have been turned into Euro-enthusiasts by the development of "social Europe". "The more Britain's unions have contributed to Europe the more we have secured in return," argues Mr John Monks, general secretary of the Trades Union Congress.
"The social protocol has legitimised our minimum labour standards agenda in the workplace," adds Mr David Lea, assistant general secretary. He is the architect of the TUC's pro-European strategy, launched in September 1988 when Mr Jacques Delors, the then European Union president, swept British union leaders off their feet with his vision of a workers' Europe.
Next month the TUC's annual

UK and the social chapter: the figures behind the arguments



Unions learn to love Europe

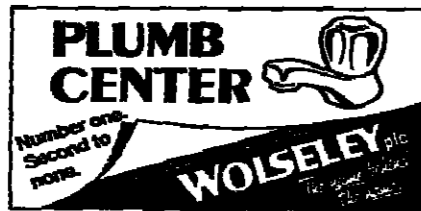
Nor has much evidence been produced to suggest they have added to business costs or undermined competitiveness. The independent Policy Studies Institute estimated earlier this year that extending equal rights to the UK's 5.4m part-time employees in line with EU intentions would add only 0.5 per cent to pay bills. However, Mr David Marsden at the London School of Economics' Centre for Economic Performance says no economic analysis has yet been done on the costs of EU social legislation on business and employment.
Under the Social Chapter the EU states can implement by qualified majority voting measures on: health and safety and other working conditions; consultation of workers; equality of men and women in the labour market; and the integration of those excluded from the labour market.
But the UK can still veto any EU social legislation affecting the UK.
1975 Collective redundancies directive: Companies must inform and consult their employees where large-scale redundancies and business transfers occur. Under 1985 UK regulations this does not apply if 19 or fewer redundancies are planned within a 90-day period.
1977 Transfer of undertakings and 1980 Insolvency directives: The first guarantees the continuity of employees' contractual and statutory rights in cases of company mergers and business transfers and was transposed into UK law in 1981; the second protects workers' pay when a company ceases trading.
1976 Equal pay directive and 1976 Equal treatment directive: These have led to the introduction of an equal retirement age for men and women; the extension of rights for pregnant women and those on maternity leave; and removal of discrimination against part-time workers.
1993 Working time directive: This will come into force on 22 November this year unless the European Court upholds the UK's legal challenge. It says that workers do not have to work for more than 48 hours a week, including overtime, unless they agree. Workers in continuous process industries, transport, emergency services, fisheries and offshore oil are exempt. It also lays down other conditions.
1994 Young workers directive: This is likely to come into effect in the UK this autumn. It limits 14 to 17-year-olds to two hours work a day and 12 hours a week with night work prohibition until 2000. Young workers must have a daily 30-minute rest-break and a weekly rest period of at least two days.
1986 Posted workers directive: This requires that workers sent to work abroad by their employer should receive the same pay and conditions as comparable workers in the country where they are posted.

OBSERVER

Well-greased Chicago
Chicago is going overboard to make this week's Democratic party convention more than just a political party, book-ending the convention between an air show and its famous jazz festival. For the Democrats, the city is trying to repair the bloody images the world remembers from the televised riots of 1968, the last time President Bill Clinton's party staged a Chicago convention.
Thus the authorities have thoughtfully greased the squeaking statue of Civil War general John Logan, standing across the street from the Hilton hotel. Back in '68, protesters mounted Logan, unfurled anti-war banners and taunted police.
Peace should reign this time, the 35,000 delegates will barely be noticed. Chicago routinely hosts much larger conventions; September sees the International Manufacturing Technology Show, with perhaps 115,000 free-spending business folks hitting town. That too won't be a riot - it may not even be a ball.
Can't refuse this
Professor Franco Modigliani, the Nobel prize-winning

economist, is about to bite off more than he can perhaps chew. He's speaking next month at a Palermo conference, extolling the virtues of an island best known for an informal system of cooperative taxation. Convincing international businesses to invest in Sicily rates high in Observer's scale of intellectual challenges.
The conference programme makes no reference to Sicily's unusual business culture. But Michele Geraci, a Sicilian former student of Modigliani who is helping to organise the event, admits "little can be done until corruption is tackled". A new recruit to Merrill Lynch's London corporate finance department, Geraci looks on the bright side, pointing to Sicily's growth as a telecommunications hub. But he also concedes that "Sicily's main export is a bad name".
conference organised by his party, the Freedom Union, to commemorate the 18th anniversary of Solidarity's birth. Kurov and his colleagues wanted to remind Solidarity - a populist and nationalist right - that they too played crucial roles in making it all happen in 1980. The Freedom Union also wants to see some unity against the former communists now running the country. His pleas seem to be falling on stony ground. Piotr Zak, Solidarity's spokesman, says that although the opposition needs to unite to unseat the former communist coalition in parliamentary elections next year, the ballot will probably see at least three competing non-communist groups.
Internal bickering, splits in the opposition - quite like the good old, bad old days.
the tyres are properly pumped up. There are environmental benefits, too; exhaust emissions are reduced by about 15 per cent in the process, Mercedes says. Thomas Achelis, a German journalist who tries the so-called Eco-Training, said he drove 57km on 1.59 litres, with an average fuel saving of 42 per cent. Mercedes is running 12 courses this year and double that in 1997.

Monkey business
There's a new attraction in the ape house at Copenhagen's zoo. Two homo sapiens - one male, one female - have taken up residence. Henrik Lehmann, 35, and Malene Botof, 29, will live in a furnished plexiglass cage, complete with fax machine and computer, until September 15.
Lehmann and Botof will, them, be on show, doing what comes naturally. Not that voyeurs should get their hopes up: "Onlookers will be disappointed if they expect to see the couple having sexual relations... Such intimate behaviour is reserved for after hours, with only the monkeys as witnesses," says zoo spokesman Peter Haase.
Just so long as they don't publicly argue over who does the washing up, we'll be more than content.
100 years ago
French alcohol monopoly
It is reported from Paris, on the authority of the "Matin" that the question of a state monopoly on alcohol is to be raised in the French Legislature next session; and the news will strike terror into the heart of the tourist. The British visitor has discovered, with delight, that when he orders whisky he is allowed the free run of the bottle for 50 centimes and it is improbable that this state of bliss would be allowed to continue under a state monopoly.
50 years ago
Anglo-Iranian Position
By Dairist
A correspondent suggests that Anglo-Iranians are a more attractive purchase than Shells. While I think he underrates the recovery potentialities of Shells, there is no denying the superior attractions of Anglo-Iranians purely on field considerations, present and prospective.
But the geographical position of the properties has, of course, certain disturbing implications which cannot be disregarded so long as Russia's post-war aims give rise to anxious uncertainty. Anglo-Iranians are not for the investor who finds difficulty in sleeping soundly; but for those with stronger nerves, the shares have their points.



FINANCIAL TIMES

Tuesday August 27 1996

"Conceive optimistically, plan pessimistically, and execute optimistically."

\$2.4bn plan for Turkish gas and power project

By John Barham in Ankara

Royal Dutch/Shell, MW Kellogg of the US and Japan's Mitsubishi Corporation have announced plans to build a \$2.4bn liquefied natural gas terminal and power station complex in Turkey.

need government approval. Permission is rarely refused for manufacturing or service industries, but leftwingers claim private foreign investment in public services is unconstitutional and have taken court action to block all but a few of them.

that a resolution be reached on what the rules of the game are. That is what is holding everything up. The government is considering measures to avoid power shortages in the medium term as energy demand rises.

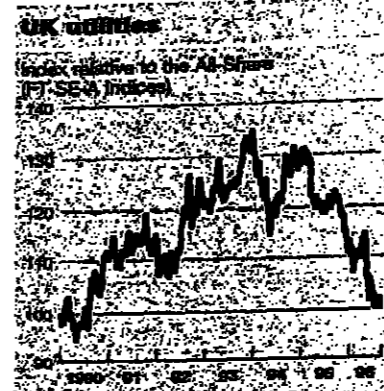
Lebed goes all-out for backing on Chechnya peace deal

By Chrystie Friesland in Moscow

Mr Alexander Lebed, the Russian security chief, yesterday launched a vigorous political offensive to win Kremlin support for his peace efforts in Chechnya.

THE LEX COLUMN Competition calls

The merger between WorldCom and MFS to create a \$19.4bn telecom giant is a lesson in the virtues of being an entrepreneurial start-up in a bureaucratic industry.



windfall tax on utilities should it win the next general election. It has also talked about changing the whole basis of regulation.

Share options

Investors have a right to be suspicious when managers ask for more share options. But British Biotech, which has won approval from the Association of British Insurers for a more generous option scheme, has a strong case.

Utility regulation

Could Britain's utilities be about to enter a period of relative calm? This might seem a strange suggestion when hardly a week goes by without a utility regulator slipping harsh price caps on its charge or another row about so-called fat cat executives overpaying themselves.

It is only in the past two years that the tide has really turned. As price caps have been reviewed again, regulators have tightened the screws. But we are now at the tail-end of this process.

Moreover, investors do not simply have a four-year breather to look forward to. The chances are that, even when the regulatory cycle comes round again, utilities will not face more punitive regulatory action.

There is one big cloud on horizon. The Labour party has threatened a

Vietnamese elite swing a club to beat their handicap

By Jeremy Grant in Hanoi

Top Vietnamese government officials are trying to overcome one of their most severe handicaps - an inability to play golf.

This week Vietnam's Department of Sports, in a scheme sponsored by Dutch brewer Heineken, will publish a 200-page booklet in Vietnamese on the rules of golf.

One, just outside Ho Chi Minh City, is landscaped with hillsides dating from the Vietnam War. Bomb craters from US B-52 aircraft have been turned into bunkers.

Former Korean leaders found guilty

Continued from Page 1

the action had been necessary to "right historical wrongs" and promote full public accountability of officials as part of Korea's move toward democracy.

as a civilian president. The two leaders also had been implicated in a military massacre of at least 200 pro-democracy demonstrators in the city of Kwangju in 1980, but the court concluded there was no evidence that they expressly ordered elite paratroopers to fire on protesters.

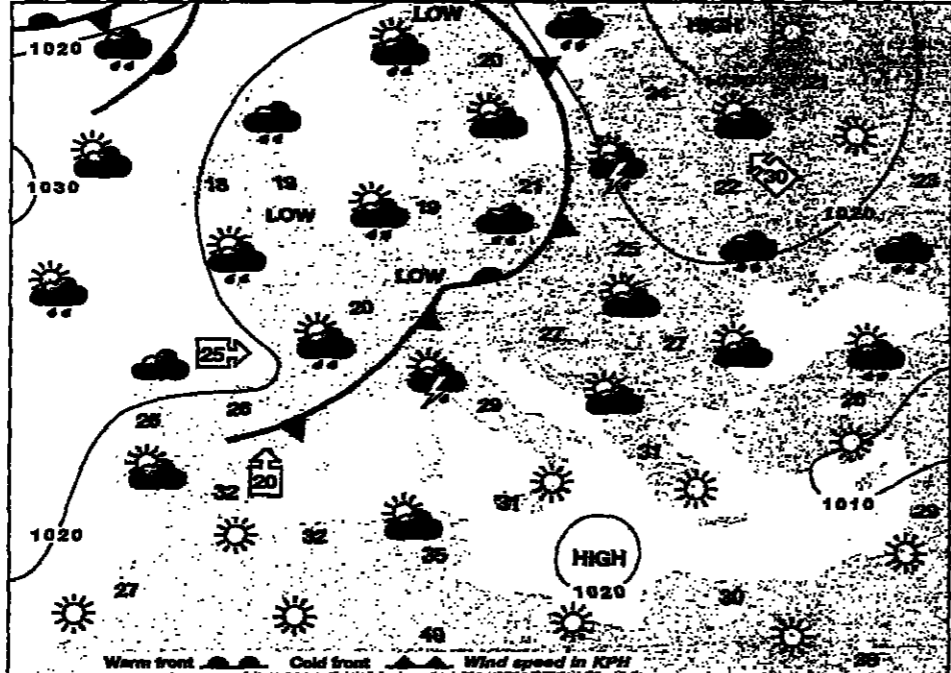
political power. Mr Kim has purged the ruling party of conservative allies of Mr Chun and Mr Roh.

Chechen separatists say they have worked out an agreement with Mr Lebed according to which the republic's status would be determined by a local referendum - a vote most observers believe would be overwhelmingly in favour of independence.

FT WEATHER GUIDE

Europe today

Scotland will have cloud and rain but the rest of the British Isles will have sunny spells mixed with showers.



Five-day forecast

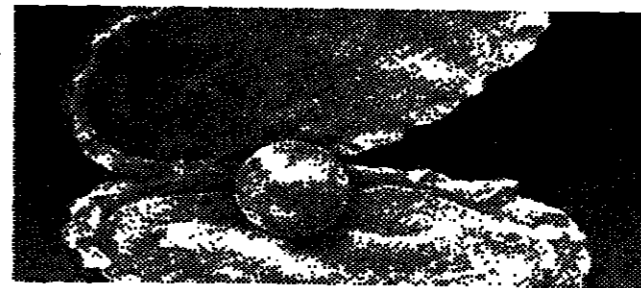
The British Isles, Benelux and Germany will be cool with scattered showers. More rain will occur in the Alps.

TODAY'S TEMPERATURES

Table with columns for city names and temperature forecasts for today and tomorrow.



Five years at the top. Proof that small is beautiful.



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It reflects an entire approach to investing which stresses consistency of performance, ahead of short term excitement, and values knowledge over intuition. Two small points, perhaps, but the results can be beautiful to behold.

Your financial adviser has all the details. The Baring Europe Select Trust from Baring Global Fund Managers.



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